

TELESP CELLULAR HOLDING CO /ADR/
Form F-4
December 16, 2005
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As filed with the Securities and Exchange Commission on December 16, 2005

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM F-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

TELESP CELULAR PARTICIPAÇÕES S.A.

To be renamed Vivo Participações S.A. in connection with the transactions described herein

(Exact name of registrant as specified in its charter)

Telesp Cellular Holding Company

(Translation of registrant's name into English)

The Federative Republic of Brazil
(State or other jurisdiction of

incorporation or organization)

4812
(Primary Standard Industrial

Classification Code #)
Av. Roque Petroni Júnior, 1464

4º Andar Lado A

04707-000 São Paulo, SP, Brazil

011-55-11-5105-2276

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Puglisi & Associates

850 Library Avenue, Suite 204

P.O. Box 885

Newark, Delaware 19715

Not Applicable
(I.R.S. Employer

Identification Number)

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(302) 738-6680

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:

S. Todd Crider, Esq.

Simpson Thacher & Bartlett LLP

425 Lexington Avenue

New York, NY 10017

(212) 455-2000

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. " _____

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. " _____

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)(2)	Proposed Maximum Aggregate Offering Price(2)(3)	Amount of Registration Fee
Common shares, no par value	8,239,042	U.S.\$ 27,490,182.02	U.S.\$ 2,941.44
Preferred shares, no par value(1)	664,587,459	U.S.\$ 2,620,588,413.70	U.S.\$ 280,402.96

- (1) 360,384,219 of these shares will initially be represented by the registrant's American Depositary Shares (ADSs), each of which represents 1 (one) preferred share, and which are evidenced by American Depositary Receipts (ADRs). A separate registration statement on Form F-6 will be filed to register the ADSs. The remaining 304,203,240 shares will not be represented by ADSs.
- (2) Includes a maximum number of the registrant's shares expected to be issued to holders of ADSs and to U.S. holders of common and preferred shares in connection with the merger described in the accompanying prospectus. The securities to be issued in connection with the merger outside the United States to non-U.S. residents are not registered under this registration statement.
- (3) The Proposed Maximum Aggregate Offering Price (estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(c) and Rule 457(f) under the Securities Act) is calculated in accordance with the exchange ratios of 3.0830, 3.8998, 3.2879 and 7.0294 common shares or preferred shares or ADSs of the registrant to be exchanged for each common share or preferred share held directly by a U.S. resident or each ADS of Tele Centro Oeste Celular Participações S.A. (TCO), Tele Leste Celular Participações S.A. (TLE), Tele Sudeste Celular Participações S.A. (TSD) or Celular CRT Participações S.A. (Celular CRT), respectively, in connection with the merger described in the accompanying prospectus, based on (a) R\$24.73, R\$28.15, R\$24.58 and R\$61.66, the average of the high and low prices of the common shares of TCO, TLE, TSD and Celular CRT, respectively, and R\$27.85, R\$34.90, R\$28.75 and R\$53.50, the average of the high and low prices of the preferred shares of TCO, TLE, TSD and Celular CRT, respectively, as reported on the São Paulo Stock Exchange on December 12, 2005, converted into U.S. dollars based on an exchange rate of R\$2.2634 = U.S.\$1.00, the noon buying rate on December 12, 2005, and (b) U.S.\$12.26, U.S.\$15.20, U.S.\$11.17, the average of the high and low prices of the ADSs of TCO, TLE and TSD as reported on the New York Stock Exchange on December 12, 2005.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, Dated December 16, 2005

Telesp Celular Participações S.A.

(Telesp Cellular Holding Company)

Telesp Celular Participações S.A., or TCP, has proposed a merger of shares under Brazilian law (*incorporação de ações*) of its subsidiary Tele Centro Oeste Celular Participações S.A., or TCO, and a merger of companies under Brazilian law (*incorporação de empresas*) of Tele Leste Celular Participações S.A., or TLE, Tele Sudeste Celular Participações S.A., or TSD, and Celular CRT Participações S.A., or Celular CRT, with TCP. The transaction is referred to herein as the merger. TCP, TCO, TLE, TSD and Celular CRT provide cellular telecommunications services in their respective authorized areas in Brazil under the Vivo brand. If the merger is approved:

TCO will become a wholly owned subsidiary of TCP, and TLE, TSD and Celular CRT will merge with and into TCP, with TCP as the surviving company;

holders of American Depositary Shares, or ADSs, of TCO, TLE and TSD will receive, upon surrender of the ADSs and payment of the fees and expenses of the depository of TCO, TLE or TSD, as the case may be, and of the TCP depository:

3.0830 ADSs of TCP for each TCO ADS they hold;

3.8998 ADSs of TCP for each TLE ADS they hold; and

3.2879 ADSs of TCP for each TSD ADS they hold;

holders of common shares and holders of preferred shares of TCO, TLE, TSD and Celular CRT will receive, without any further action by those holders:

3.0830 common shares, no par value, of TCP for each TCO common share they hold, and 3.0830 preferred shares, no par value, of TCP for each TCO preferred share they hold;

3.8998 common shares, no par value, of TCP for each TLE common share they hold, and 3.8998 preferred shares, no par value, of TCP for each TLE preferred share they hold;

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3.2879 common shares, no par value, of TCP for each TSD common share they hold, and 3.2879 preferred shares, no par value, of TCP for each TSD preferred share they hold; and

7.0294 common shares, no par value, of TCP for each Celular CRT common share they hold, and 7.0294 preferred shares, no par value, of TCP for each Celular CRT preferred share they hold.

The merger of each of TCO, TSD and Celular CRT with TCP will require the affirmative vote of holders representing at least 50% plus one of the aggregate TCP common shares and preferred shares that are present at a duly convened extraordinary general meeting, and the affirmative vote of holders representing at least 50% plus one of the aggregate common shares of TCO, TSD or Celular CRT, respectively, at extraordinary general meetings of the common shareholders of those companies. The merger of TLE with TCP will require the affirmative vote of holders representing at least 50% plus one of the aggregate TCP common shares and preferred shares that are present at a duly convened extraordinary general meeting, and the affirmative vote of holders representing at least 50% plus one of the aggregate common shares and preferred shares of TLE at an extraordinary general meeting of the shareholders of that company. We expect the merger to be approved because:

our controlling shareholder, which directly and indirectly holds 92.51% of our common shares and 50.02% of our preferred shares, representing 66.09% of our voting shares, has represented to us that it and its subsidiaries will vote the shares of our company they hold in favor of the merger;

we hold 90.59% of the voting common shares of TCO, and we intend to vote the shares of TCO we hold in favor of the merger; and

our controlling shareholder also holds, directly and indirectly, 68.72% of the common shares and 40.95% of the preferred shares of TLE, representing 50.67% of TLE's total voting shares, 92.01% of TSD's voting common shares, and 90.57% of Celular CRT's voting common shares, and has represented to us that it and its subsidiaries will vote the shares of TLE, TSD and Celular CRT they hold in favor of the merger.

Holders of preferred shares of TCO, TSD and Celular CRT, and holders of ADSs of TCO and TSD do not have the right to vote on the merger.

We will apply to list the TCP ADSs to be received by holders of TCO, TLE and TSD ADSs on the New York Stock Exchange, or the NYSE, under the symbol VIV. Celular CRT does not have an ADS program, and no holder of Celular CRT common shares or preferred shares will receive TCP ADSs. We will apply to list the common shares and preferred shares to be received by holders of TCO, TLE, TSD and Celular CRT on the São Paulo Stock Exchange (*Bolsa de Valores de São Paulo*), or Bovespa, under the symbols VIVO3 and VIVO4, respectively.

This prospectus has been prepared for holders of common shares and preferred shares of TCO, TLE, TSD and Celular CRT residing in the United States, and for holders of ADSs of TCO, TLE and TSD, to provide information about the merger.

You should read this prospectus carefully. In particular, please read the section entitled Risk Factors beginning on page 41 for a discussion of risks that you should consider in evaluating the transactions described in this prospectus.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued in connection with the merger or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus is dated _____ and is expected first to be mailed to shareholders on or about that date.

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ANNEX A Information Derived from the Exchange Act Reports filed by Tele Leste Celular Participações S.A.

A-1

ANNEX B Information Derived from the Exchange Act Reports filed by Tele Sudeste Celular Participações S.A.

B-1

This prospectus includes important business and financial information about TCP that is not included in or delivered with the document. This information is available without charge to security holders upon written or oral request. To obtain timely delivery, security holders must request the information no later than five business days before , 2006, the date of the extraordinary general shareholders meeting scheduled to approve the merger. See Part Seven: Additional Information for Shareholders Incorporation by Reference.

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PRESENTATION OF FINANCIAL INFORMATION

The following financial statements are included or incorporated by reference in this prospectus:

the audited consolidated financial statements of Telesp Celular Participações S.A., or TCP, at December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 incorporated by reference in this prospectus from the Annual Report of Telesp Celular Participações S.A. on Form 20-F for the Fiscal Year Ended December 31, 2004;

the unaudited condensed consolidated interim financial statements of TCP at September 30, 2005 and for the nine months ended September 30, 2004 and 2005 included in Part Nine: Financial Statements of this prospectus;

the audited consolidated financial statements of Tele Centro Oeste Celular Participações S.A., or TCO, at December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 incorporated by reference in this prospectus from TCO's Annual Report on Form 20-F for the fiscal year ended December 31, 2004;

the unaudited condensed consolidated interim financial statements of TCO at September 30, 2005 and for the nine months ended September 30, 2004 and 2005 included in Part Nine: Financial Statements of this prospectus;

the audited consolidated financial statements of Tele Leste Celular Participações S.A., or TLE, at December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 included in Annex A to this prospectus (Information Derived from TLE's Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2004);

the unaudited condensed consolidated interim financial statements of TLE at September 30, 2005 and for the nine months ended September 30, 2004 and 2005 included in Part Nine: Financial Statements of this prospectus;

the audited consolidated financial statements of Tele Sudeste Celular Participações S.A., or TSD, at December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 included in Annex B to this prospectus (Information Derived from TSD's Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2004);

the unaudited condensed consolidated interim financial statements of TSD at September 30, 2005 and for the nine months ended September 30, 2004 and 2005 included in Part Nine: Financial Statements of this prospectus;

the audited consolidated financial statements of Celular CRT Participações S.A., or Celular CRT, at December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 included in Part Nine: Financial Statements of this prospectus; and

the unaudited condensed consolidated interim financial statements of Celular CRT at September 30, 2005 and for the nine months ended September 30, 2004 and 2005 included in Part Nine: Financial Statements of this prospectus.

We prepare our financial statements in accordance with accounting practices adopted in Brazil, which include accounting practices derived from the Brazilian corporation law, regulations applicable to public telecommunications service concessionaires and accounting regulations and procedures established by the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or CVM. We refer to these accounting practices in this prospectus as generally accepted accounting principles in Brazil, or Brazilian GAAP.

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Brazilian GAAP differs in significant respects from generally accepted accounting principles in the United States, or U.S. GAAP. The notes to the financial statements of TCP, TCO, TLE, TSD and Celular CRT included or incorporated by reference in this prospectus contain explanations of these differences as they relate to those companies:

For an explanation of these differences as they relate to TCP, see note 21 to TCP's unaudited consolidated financial statements at September 30, 2005 and for the nine months ended September 30, 2004 and 2005 and note 37 to TCP's audited consolidated financial statements at December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004.

For an explanation of these differences as they relate to TCO, see note 37 to TCO's audited consolidated financial statements at December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 and note 21 to TCO's unaudited consolidated financial statements at September 30, 2005 and for the nine months ended September 30, 2004 and 2005.

For an explanation of these differences as they relate to TLE, see note 34 to TLE's audited consolidated financial statements at December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 and note 20 to TLE's unaudited consolidated financial statements at September 30, 2005 and for the nine months ended September 30, 2004 and 2005.

For an explanation of these differences as they relate to TSD, see note 35 to TSD's audited consolidated financial statements at December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 and note 21 to TSD's unaudited consolidated financial statements at September 30, 2005 and for the nine months ended September 30, 2004 and 2005.

For an explanation of these differences as they relate to Celular CRT, see note 31 to Celular CRT's audited consolidated financial statements at December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 and note 19 to Celular CRT's unaudited consolidated financial statements at September 30, 2005 and for the nine months ended September 30, 2004 and 2005.

References to the *real*, *reais* or R\$ are to Brazilian *reais* (plural) and the Brazilian *real* (singular), and references to U.S. dollars or U.S.\$ are to United States dollars.

This prospectus contains translations of various *real* amounts into U.S. dollars at specified rates solely for your convenience. You should not construe these translations as representations by us that the *real* amounts actually represent these U.S. dollar amounts or could be converted into U.S. dollars at the rates indicated. Unless otherwise indicated, we have translated some Brazilian currency amounts using a rate of R\$2.2222 to U.S.\$1.00, the PTAX selling rate of the Central Bank of Brazil (*Banco Central do Brasil*) at September 30, 2005.

In this prospectus, TCP, we, us and our refer to Telesp Celular Participações S.A. and its consolidated subsidiaries. References to the Targets refer to TCO, TLE, TSD and Celular CRT. References to New TCP refer to TCP upon consummation of the merger.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this prospectus that are subject to risks and uncertainties. These forward-looking statements relate to among other things:

management strategy;

synergies and cost savings;

integration of new business units;

market position and the size of the Brazilian telecommunications market;

statements concerning the operations and prospects of our company and the other Vivo companies;

estimated demand forecasts;

the ability of our company and of the other Vivo companies to secure and maintain telecommunications infrastructure licenses, rights of way and other regulatory approvals;

our strategic initiatives and plans for business growth;

industry conditions;

our funding needs and financing sources;

network completion and product development schedules;

expected characteristics of competing networks, products and services;

influence of controlling shareholders;

litigation; and

the timetable for the merger.

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Forward-looking statements also may be identified by words such as believes, expects, anticipates, projects, intends, should, seeks, or future or similar expressions. The sections of this prospectus that contain forward-looking statements include:

Part One: Questions and Answers About the Merger ;

Part Two: Summary ;

Part Three: Risk Factors ;

Part Five: The Merger Reasons for the Merger , Management and Unaudited Pro Forma Combined Financial Data ;

Part Six: Shareholder Rights ;

Part Seven: Additional Information for Shareholders Enforceability of Civil Liabilities Under U.S. Securities Laws ; and

Part Eight: Legal and Regulatory Matters General.

These statements reflect our current expectations. They are subject to a number of risks and uncertainties, including but not limited to changes in technology, regulation, the global cellular communications marketplace and local economic conditions. In light of the many risks and uncertainties surrounding this marketplace, you should understand that we cannot assure you that the forward-looking statements contained in this prospectus will be realized. You are cautioned not to put undue reliance on any forward-looking information.

We undertake no obligation to publicly update or revise these forward looking statements after the date we distribute this prospectus.

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PART ONE QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: What is the merger?

A: Telesp Celular Participações S.A., or TCP, has proposed a merger of shares (*incorporação de ações*) of its subsidiary Tele Centro Oeste Celular Participações S.A., or TCO, and a merger of companies (*incorporação de empresas*) of Tele Leste Celular Participações S.A., or TLE, Tele Sudeste Celular Participações S.A., or TSD, and Celular CRT Participações S.A., or Celular CRT, each a company under common control with TCP. The transaction is referred to herein as the merger. The merger is a Brazilian law procedure under which TCO will become a wholly owned subsidiary of TCP, each of TLE, TSD and Celular CRT will merge with and into TCP with TCP as the surviving company, and holders of common shares or preferred shares, or (where applicable) ADSs, of TCO, TLE, TSD and Celular CRT will receive common shares or preferred shares, or ADSs, respectively, of TCP upon approval of the merger by the requisite percentage of the voting shareholders of TCP, on one hand, and of TCO, TLE, TSD and Celular CRT, as the case may be, on the other hand.

Q: What are the reasons for the merger?

A: We believe the merger will enable us to:

align the interests of the shareholders of TCP, of its subsidiary TCO, and of TLE, TSD and Celular CRT, which are all currently under common control;

provide you with securities that we expect will enjoy greater market liquidity than the securities you currently hold;

simplify the shareholding and organizational structure of the VIVO business and expand its shareholder base; and

take advantage of important synergies among the companies, which are already operating under the same brand name VIVO .

Q: What will happen to my shares in the merger?

A: If you are a direct holder of common shares or preferred shares of:

TCO, you will receive 3.0830 common shares or preferred shares of TCP for each common share or preferred share of TCO that you hold, respectively;

TLE, you will receive 3.8998 common shares or preferred shares of TCP for each common share or preferred share of TLE that you hold, respectively;

TSD, you will receive 3.2879 common shares or preferred shares of TCP for each common share or preferred share of TSD that you hold, respectively; or

Celular CRT, you will receive 7.0294 common shares or preferred shares of TCP for each common share or preferred share of Celular CRT that you hold, respectively.

No further action by you is required. An entry or entries will be made in the share registry of TCP to evidence the common shares and preferred shares of TCP you will receive in the merger.

If you are a holder of ADSs of:

TCO, you will receive 3.0830 ADSs of TCP, each representing 1 (one) preferred share of TCP, for each ADS of TCO that you hold, upon surrender of your TCO ADSs and payment of the fees and expenses of the TCO depository and the TCP depository;

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TLE, you will receive 3.8998 ADSs of TCP, each representing 1 (one) preferred share of TCP, for each ADS of TLE that you hold, upon surrender of your TLE ADSs and payment of the fees and expenses of the TLE depository and the TCP depository; or

TSD, you will receive 3.2879 ADSs of TCP, each representing 1 (one) preferred share of TCP, for each ADS of TSD that you hold, upon surrender of your TSD ADSs and payment of the fees and expenses of the TSD depository and the TCP depository.

Q: What shareholder approvals are needed?

A: The merger of each of TCO, TSD and Celular CRT with TCP will require the affirmative vote of holders representing at least 50% plus one of the aggregate TCP common shares and preferred shares that are present at a duly convened extraordinary general meeting, and the affirmative vote of holders representing at least 50% plus one of the aggregate common shares of TCO, TSD and Celular CRT, respectively, at separate extraordinary general meetings.

The merger of TLE with TCP will require the affirmative vote of holders representing at least 50% plus one of the aggregate TCP common shares and preferred shares that are present at a duly convened extraordinary general meeting, and the affirmative vote of holders representing at least 50% plus one of the aggregate common shares and preferred shares of TLE at an extraordinary general meeting of the shareholders of that company.

If you hold common shares of TCO, TLE, TSD or Celular CRT, or preferred shares of TLE, you may vote at the TCO, TLE, TSD or Celular CRT shareholder meeting, respectively. If you hold preferred shares of TCO, TSD or Celular CRT, you are not entitled to vote at the TCO, TSD or Celular CRT shareholder meeting. If you hold TLE ADSs, you are not entitled to attend the TLE shareholder's meeting, but you may communicate your voting instructions to the TLE depository. If you hold ADSs of TCO or TSD, you are not entitled to attend or vote at the TCO or TSD shareholders' meeting.

We expect the merger to be approved because:

Brasilcel N.V., or Brasilcel, which directly and indirectly holds 92.51% of our common shares and 50.02% of our preferred shares, representing 66.09% of our voting shares, has represented to us that it and its subsidiaries will vote the shares of our company they hold in favor of the merger;

We hold 90.59% of the voting common shares of TCO, and we intend to vote the shares of TCO we hold in favor of the merger; and

Brasilcel also holds, directly and indirectly, 68.72% of the common shares and 40.95% of the preferred shares of TLE, representing 50.67% of TLE's total voting shares, 92.01% of TSD's voting common shares, and 90.57% of Celular CRT's voting common shares, and has represented to us that it and its subsidiaries will vote the shares of TLE, TSD and Celular CRT they hold in favor of the merger.

Q: Do I have appraisal rights?

A: Holders of common shares of TCO, TLE, TSD and Celular CRT, and holders of preferred shares of TSD are entitled to appraisal rights in connection with the merger.

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If you hold common shares of TCO, TLE or TSD, or preferred shares of TSD, you will have the right to choose to receive, instead of the TCP common shares or preferred shares, as the case may be, an amount in cash equal to the greater of the amounts shown for that company in the table below:

	Appraisal amounts	
	the greater of	
	Shareholders' equity per share in accordance with Brazilian GAAP (1)	Market value of shareholders' equity per share (1)
	(reais per share)	
TCO (common or preferred shares)	R\$ 21.80	R\$ 18.38
TLE (common or preferred shares)	33.18	24.99
TSD (preferred shares)	22.31	21.97

(1) Calculated as of September 30, 2005 using the methodology described in Part Five: The Merger Appraisal or Dissenters' Rights.

If you hold common shares of Celular CRT, you will have the right to choose to receive, instead of the TCP common shares, an amount in cash equal to R\$37.50 per share, the shareholders' equity per share of Celular CRT in accordance with Brazilian GAAP, calculated as of September 30, 2005 using the methodology described in Part Five: The Merger Appraisal or Dissenters' Rights.

If you have appraisal rights, your appraisal rights will lapse not less than 30 days after publication of the minutes of the extraordinary general shareholders' meeting called to approve the merger.

Any holder of TSD's ADSs that wishes to exercise the appraisal rights relating to the preferred shares of TSD underlying the ADSs held by that holder must surrender the American Depositary Receipts evidencing those ADSs, pay the applicable fees of the depository, withdraw the preferred shares from the TSD ADR program and exercise the appraisal rights relating to those preferred shares directly.

Holders of preferred shares of TCO, TLE and Celular CRT and holders of ADSs of TCO and TLE are not entitled to appraisal or dissenters' rights in connection with the merger under Brazilian law.

Q: *Could the merger be unwound?*

A: Under the Brazilian corporation law, if management believes that the total value of the appraisal rights exercised by the shareholders of TCP, TCO, TLE, TSD and Celular CRT may put at risk the financial stability of New TCP, management may, within 10 days after the end of the appraisal rights period, call a general meeting of shareholders to either unwind or ratify the merger. Payment relating to the exercise of the appraisal rights will not be due if the merger is unwound. Because it holds a majority of the voting shares of TCP, TCO, TLE, TSD

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and Celular CRT, Brasilcel would be able to cause the unwinding of the merger at the applicable general shareholders meetings.

Q: *Why am I receiving this document?*

A: This document is a prospectus of TCP relating to the common shares and preferred shares of TCP that the shareholders of TCO, TLE, TSD and Celular CRT will receive in the merger. You are receiving this prospectus because TCP may be deemed to be offering you its shares for purposes of the U.S. Securities Act of 1933, as amended.

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Q: What will be the accounting treatment of the reorganization?

A: Under Brazilian GAAP, the body of accounting principles we use to prepare our consolidated financial statements, the merger will be accounted for at book value.

Under U.S. GAAP, since TCP and each of Celular CRT, TCO, TLE and TSD are under common control, the exchange of shares of TCP for common and preferred shares of Celular CRT, TCO, TLE or TSD held directly or indirectly by Brasilcel N.V. will be accounted for at historical cost in a manner similar to a pooling of interests. Accordingly, the assets acquired and the liabilities assumed in the merger, as they relate to the portion under common control, will be accounted for based on the historical carrying values of the assets and liabilities of each of Celular CRT, TCO, TLE or TSD, as would be reflected in the consolidated financial statements of Brasilcel N.V. The portion of each of Celular CRT, TCO, TLE or TSD acquired from shareholders unrelated to the controlling shareholders will be accounted for using the purchase method of accounting in accordance with SFAS No. 141, *Business Combinations*. Under the purchase method of accounting, the pro rata assets acquired and liabilities assumed are recorded at their fair values, and any excess of purchase price over the related fair value of net assets acquired is accounted for as goodwill.

Q: What are the U.S. federal income tax consequences of the merger?

A: If you are a U.S. Holder of TCO common shares or preferred shares (together the TCO shares) or TCO ADSs, the U.S. federal income tax consequences of the merger are uncertain. If required, TCP intends to take the position that, pursuant to the merger, you generally will not recognize gain or loss for U.S. federal income tax purposes on the receipt of TCP common shares or preferred shares (together the TCP shares) or TCP ADSs in exchange for your TCO shares or TCO ADSs, except to the extent of any cash received in lieu of fractional shares. If you are a U.S. Holder of common shares or preferred shares (together the shares) of TLE, TSD or Celular CRT, or ADSs of TLE or TSD, TCP believes you generally will not recognize gain or loss for U.S. federal income tax purposes on the receipt of TCP shares or TCP ADSs in exchange for shares of TLE, TSD or Celular CRT, or ADSs of TLE or TSD, except to the extent of any cash received in lieu of fractional shares. See Part Five: The Merger Material Tax Considerations United States Federal Income Tax Considerations. The tax consequences to you of the merger are complex and will depend on your particular facts and circumstances. You should consult your own tax advisor for a full understanding of the tax consequences of the merger to you.

Q: When will the merger be completed?

A: The extraordinary general shareholder meeting of each of TCP, TCO, TLE, TSD and Celular CRT will be held on _____, 2006, unless any of the meetings is postponed. The merger of each of TCO, TLE, TSD and Celular CRT TCP will take place automatically upon approval of the merger at the shareholder meetings.

Q: Are any other approvals necessary for the completion of the merger?

A: No.

Q: After the merger, will I have the same ownership percentage that I now have?

A: No. After the merger, TCP will be a significantly larger company than TCO, TLE, TSD or Celular CRT and will be significantly larger than we were before the merger. You will have a lower percentage ownership in New TCP than you currently have in TCO, TLE, TSD or Celular CRT. Assuming that none of the common shareholders of TCP, TCO, TLE and Celular CRT and none of the common and preferred shareholders of TSD exercises appraisal rights, the following are the percentages of the outstanding capital stock of TCP that former shareholders of TCO, TLE, TSD and Celular CRT, other than the controlling shareholders, will hold:

former TCO shareholders (other than TCP) will hold approximately 13.40%;

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former TLE shareholders (other than Brasilcel) will hold approximately 1.30%;

former TSD shareholders (other than Brasilcel) will hold approximately 1.91%; and

former Celular CRT shareholders (other than Brasilcel) will hold approximately 5.04%.

Q: How will my rights as a shareholder change after the merger?

A: Your rights as a shareholder of TCP will generally be similar to your rights as a shareholder of TCO, TLE, TSD or Celular CRT. Part Six: Shareholder Rights describes certain differences in the calculation of the preference of preferred shareholders of TCP, TSD, TLE and Celular CRT in the receipt of dividends. The relative amounts that a preferred shareholder would receive under these different calculation methods depends on factors such as the amount of adjusted net income of the company calculated in accordance with the Brazilian corporation law, the company's capital stock and/or the company's shareholders' equity. Part Six: Shareholder Rights also describes some variations in current voting rights of preferred shareholders of the companies.

Q: When will I receive my TCP ADSs, if applicable?

A: Assuming the merger is completed, we will make the ADSs representing preferred shares of TCP issued in the merger available to U.S. shareholders within three business days after the related preferred shares are deposited with the depository's custodian in Brazil. This deposit is expected to occur after the end of the period for the exercise of appraisal rights, where applicable, which period will end not less than 30 days after the publication of the minutes of the extraordinary general shareholders' meeting called to approve the merger. During that period, the ADSs of TCO, TLE and TSD are expected to continue to trade on the New York Stock Exchange under their existing ticker symbols.

Q: When will I receive any cash attributable to any fractional TCP security?

A: If you are a registered holder of ADSs of TCO, TLE or TSD and the application of the relevant exchange ratio to the ADSs you hold would result in your receiving a fractional TCP ADS, the TCP depository will sell on the open market the fractional TCP ADS to which you would otherwise be entitled and remit to your broker or custodian or mail you a check for cash in lieu of any fractional TCP ADS you are entitled to receive based on the net proceeds (after deducting applicable fees and expenses, including sales commissions) from the sale on the New York Stock Exchange of the aggregate number of fractional entitlements to TCP ADSs. Payments for interests in fractional TCP ADSs will be available approximately five business days after the TCP depository completes sales of the aggregated fractional TCP ADSs on the New York Stock Exchange.

If you are a beneficial owner of ADSs of TCO, TLE or TSD, you should contact your broker or custodian and inquire as to its procedures for the remittance of any cash attributable to any fractional TCP ADS you would otherwise receive.

If you hold common shares or preferred shares of TCO, TLE, TSD or Celular CRT directly, TCP will make available to you any cash to which you are entitled in connection with the payments for fractional interests in TCP common shares or TCP preferred shares five business days after the proceeds of the sale of all such fractional interests by TCP on the São Paulo Stock Exchange become available to TCP. The sale of such fractional interests in auctions on the São Paulo Stock Exchange will occur as soon as practicable after the completion of the merger and after due notice of the auction is given in accordance with the rules of the São Paulo Stock Exchange.

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Q: Will I have to pay brokerage commissions?

A: You will not have to pay brokerage commissions if your TCO, TLE, TSD or Celular CRT shares are registered in your name. If your securities are held through a bank or broker or a custodian linked to a stock exchange, you should consult with them as to whether or not they charge any transaction fee or service charges in connection with the merger.

Q: What do I need to do now?

A: If you hold common shares or if you hold preferred shares directly, you do not need to do anything to receive TCP common shares or TCP preferred shares, respectively, in the merger. The TCP common shares and the TCP preferred shares are book-entry shares, and an entry or entries will be made in the share registry of TCP to evidence the common shares or preferred shares you will receive.

If you hold ADSs, the preferred shares underlying those ADSs will become TCP preferred shares by operation of law. However, to receive American Depositary Receipts, or ADRs, of TCP evidencing the ADSs that represent those TCP preferred shares, you will need to surrender your TCO, TLE or TSD ADRs to the depositary for your ADRs, pay the TCO, TLE or TSD depositary's fees for the surrender of TCO, TLE or TSD ADSs, as the case may be, under the applicable deposit agreement (which will not be in excess of \$5.00 or less per 100 ADSs (or portion thereof)) and the fees of the TCP depositary for the issuance of TCP ADSs under the TCP deposit agreement (which will not be in excess of \$5.00 or less per 100 ADSs (or portion thereof)) and pay expenses of the depositaries as provided in the deposit agreements.

Q: What do I need to do if I would like to attend the shareholders meeting?

A: *TCO* If you hold common shares, you may attend the extraordinary general shareholders' meeting of TCO at which the merger will be approved, and you may vote. If you hold preferred shares directly you may attend the general shareholders' meeting, but you may not vote. If you hold ADSs, you are not entitled to attend or vote at the shareholders' meeting.

TLE If you hold common shares or if you hold preferred shares directly, you may attend the extraordinary general shareholders' meeting of TLE at which the merger will be approved, and you may vote. If you hold ADSs, you are not entitled to attend the shareholders' meeting, but you may communicate your voting instructions to the TLE depositary.

TSD If you hold common shares, you may attend the extraordinary general shareholders' meeting of TSD at which the merger will be approved, and you may vote. If you hold preferred shares directly you may attend the general shareholders' meeting, but you may not vote. If you hold ADSs, you are not entitled to attend or vote at the shareholders' meeting.

Celular CRT If you hold common shares, you may attend the extraordinary general shareholders' meeting of Celular CRT at which the merger will be approved, and you may vote. If you hold preferred shares you may attend the general shareholders' meeting, but you may not vote.

The shareholders' meeting of each of TCO, TLE, TSD and Celular CRT is currently expected to be held on _____, 2006, at 2:00 p.m., local time, at the respective principal executive offices as follows:

Tele Centro Oeste Celular Participações S.A.

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SCS Quadra 2, Bloco C, 226

Edifício Telebrasília Celular 7º andar

70302-916 Brasília, DF

Brazil

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Tele Leste Celular Participações S.A.

Av. Roque Petroni Júnior, 1464

04707-000 São Paulo, SP

Brazil

Tele Sudeste Celular Participações S.A.

Praia de Botofogo, 501, Torre Corcovado,

7º andar

22250-040 Rio de Janeiro, RJ

Brazil

Celular CRT Participações S.A.

Rua José Bonifácio, 245 Farroupilha

90040-130 Porto Alegre, RS

Brazil

Q: Who can help answer my questions?

A: If you have any questions about the merger, you can contact

Telesp Celular Participações S.A.

Tele Centro Oeste Celular Participações S.A.

Tele Leste Celular Participações S.A.

Tele Sudeste Celular Participações S.A.

Celular CRT Participações S.A.

at the following:

Av. Roque Petroni Júnior, 1464

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4° Andar Lado A

04707-000 São Paulo, SP

Brazil

Attention: Charles E. Allen

Telephone: 011-55-11-5105-2276

Facsimile: 011-55-11-5105-2247

email: vsm@vivo.com.br

You may also contact the information agent for the merger:

MacKenzie Partners, Inc.

105 Madison Avenue

New York, New York 10016

proxy@mackenziepartners.com

Call Collect: (212) 929-5500

Toll-Free: (800) 322-2885

If you are a holder of TCO, TLE or TSD ADSs, you may also contact:

The Bank of New York

101 Barclay Street

New York, NY 10286

Telephone: (888) BNY-ADRS

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PART TWO SUMMARY

The following summary highlights selected information from this prospectus and may not contain all the information that may be important to you. To understand the merger more fully, you should read carefully this entire prospectus.

Summary of the Merger

The Companies

TCP, TCO, TLE, TSD and Celular CRT, or the VIVO companies, are leading providers of cellular telecommunications in 19 states in Brazil and the Federal District. According to data published by the National Telecommunications Agency (*Agência Nacional de Telecomunicações*), or Anatel, the VIVO companies have 36.1% of the total market in Brazil and 45.9% of the total market in their authorized areas, with 28.8 million users at September 30, 2005. Their operations cover an area with approximately 135 million inhabitants, or 73% of the Brazilian population. On a pro forma basis reflecting the mergers, the VIVO companies had net operating revenues of R\$10,929.3 million for the year ended December 31, 2004 and R\$8,308.1 million for the nine months ended September 30, 2005.

The VIVO companies are controlled by Brasilcel N.V., or Brasilcel, a joint venture of Portugal Telecom S.G.P.S., S.A., or Portugal Telecom, and Telefónica Móviles S.A., or Telefónica Móviles. The following chart shows the corporate structure of the VIVO companies as of December 4, 2005.

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TCP

We are a leading provider of cellular telecommunications services in Brazil through our subsidiaries Telesp Celular S.A., or Telesp Celular, Global Telecom S.A., or Global Telecom, and Tele Centro Oeste Celular Participações S.A., or TCO, according to data regarding market share published by Anatel. We are controlled by Brasilcel, which also controls, directly or indirectly, Tele Sudeste Celular Participações S.A., or TSD, Tele Leste Celular Participações S.A., or TLE, and Celular CRT Participações S.A., or Celular CRT. In the nine months ended September 30, 2005, we had net operating revenues of R\$5,491.7 million, and at September 30, 2005 had 19.4 million cellular lines in service.

Telesp Celular provides mobile telecommunications services on the A Band frequency range in the state of São Paulo, covering approximately 248,209 square kilometers, representing approximately 2.9% of Brazil's territory. This area includes 63 municipalities with populations in excess of 100,000 people, including the city of São Paulo, Brazil's largest city, with more than 10 million people, and is home to more than 40.1 million people, representing 21.9% of Brazil's population, estimated based on information published by the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or IBGE. The A Band frequency used by Telesp Celular covers 77% of the municipalities in the state of São Paulo and 98% of the population of the metropolitan area of São Paulo. Telesp Celular is the leading cellular operator, by number of customers, in the state of São Paulo, according to data published by Anatel.

Telesp Celular had net operating revenues of R\$3,415.0 million, R\$3,993.2 million and R\$4,329.0 million in 2002, 2003 and 2004, respectively. In the nine months ended September 30, 2005, Telesp Celular had net operating revenues of R\$3,187.0 million. At September 30, 2005, Telesp Celular had 10.0 million cellular lines in service and a market share of approximately 50.1% in its authorized areas, estimated based on the total number of cellular lines in service in those areas as published by Anatel.

Global Telecom provides mobile telecommunications services on the B Band frequency range in the states of Paraná and Santa Catarina. These two states cover an area of approximately 294,661 square kilometers, representing approximately 3.5% of Brazil's territory, and include 22 municipalities with populations in excess of 100,000 people. The states of Paraná and Santa Catarina are home to approximately 16.0 million people, representing 8.8% of Brazil's population, estimated based on information published by the IBGE.

Global Telecom had net operating revenues of R\$512.2 million, R\$669.0 million and R\$801.6 million in 2002, 2003 and 2004, respectively. In the nine months ended September 30, 2005, Global Telecom had net operating revenues of R\$602.5 million. At September 30, 2005, Global Telecom had 2.8 million cellular lines in service and a market share of approximately 36.2% in its authorized areas, estimated based on the total number of cellular lines in service in those areas as published by Anatel.

Telesp Celular has been our wholly owned subsidiary since we completed a corporate restructuring in January 2000. We acquired an 81.61% indirect economic interest in Global Telecom in February 2001, and Global Telecom became our wholly owned subsidiary on December 27, 2002. We acquired 61.10% of the voting capital stock of TCO on April 25, 2003. We acquired additional shares of voting capital stock of TCO in a public tender offer in October 2003, bringing the percentage of TCO's voting capital stock we owned to 86.19%. In October 2004, we acquired additional shares of voting capital stock and preferred shares of TCO in another public tender offer, and in July 2005 we acquired additional shares of voting capital stock of TCO in a capital increase, bringing the percentage of TCO's voting capital stock we own to 90.59%. Our net operating revenues for the nine months ended September 30, 2005 included R\$1,702.2 million attributable to the consolidation of TCO, R\$3,187.0 million attributable to the consolidation of Telesp Celular and R\$602.5 million attributable to the consolidation of Global Telecom. After consolidation adjustments, our net operating revenues for the nine months ended September 30, 2005 were R\$5,491.7 million.

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Our principal executive offices are located at Av. Roque Petroni Júnior, 1464, 4º Andar, Lado A, 04707-000 São Paulo, SP, Brazil, and its telephone number is 011-55-11-5105-2276.

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For more information about our company, please see our Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2004, which is incorporated by reference in this prospectus, including the following sections: Item 4. Information on the Company, Item 5. Operating and Financial Review and Prospects, Item 7. Major Shareholders and Related Party Transactions, Item 8. Financial Information Consolidated Statements and Other Financial Information Legal Matters and Item 11. Quantitative and Qualitative Disclosures About Market Risk.

TCO

According to data published by Anatel, TCO is the leading provider, by number of customers, of cellular telecommunications services in Brazil's Federal District and in 11 Brazilian states: Acre, Amapá, Amazonas, Goiás, Maranhão, Mato Grosso, Mato Grosso do Sul, Pará, Rondonia, Roraima and Tocantins, an area encompassing 5.8 million square kilometers, approximately 68% of Brazil's territory, including 34 municipalities with populations in excess of 100,000 people, and 31.8 million people, representing approximately 18% of Brazil's population.

TCO uses the A Band frequency range, covering 50% of the municipalities in the Federal District and in the states of Acre, Goiás, Mato Grosso, Mato Grosso do Sul, Rondonia and Tocantins and 89% of the population of these areas. TCO also uses the B Band frequency range that covers 28% of the municipalities in the states of Amazonas, Amapá, Maranhão, Pará and Roraima and 65% of the population of those states.

TCO's subsidiaries are: Telegoias Celular S.A., or Telegoias, Telemat Celular S.A., or Telemat, Telems Celular S.A., or Telems, Teleron Celular S.A., or Teleron, Teleacre Celular S.A., or Teleacre, Norte Brasil Telecom S.A., or NBT, and TCO IP S.A., or TCO IP.

TCO and its subsidiaries had aggregate net operating revenues of R\$1,572.1 million, R\$1,958.9 million and R\$2,210.4 million in 2002, 2003 and 2004, respectively. In the nine months ended September 30, 2005, TCO had net operating revenues of R\$1,702.2 million. At September 30, 2005, TCO and its subsidiaries had 6.5 million cellular lines in service and a market share of approximately 47% in its authorized areas, estimated based on the total number of cellular lines in service in those areas as published by Anatel.

TCO's principal executive offices are located at SCS Quadra 2, Bloco C, 226, Edifício Telebrasil Celular, 7º andar, 70302-916, Brasília, DF, Brazil, and its telephone number is 011-55-61-3962-7756.

For more information about TCO, please see TCO's Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2004, which is incorporated by reference in this prospectus, including the following sections: Item 4. Information on the Company Item 5. Operating and Financial Review and Prospects, Item 7. Major Shareholders and Related Party Transactions, Item 8. Financial Information Consolidated Statements and Other Financial Information Legal Matters and Item 11. Quantitative and Qualitative Disclosures About Market Risk.

TLE

According to data published by Anatel, TLE is a leading provider of cellular telecommunications services in Brazil through its subsidiaries Telebahia Celular S.A., or Telebahia, and Telergipe Celular, or Telergipe.

TLE provides mobile telecommunications services on the A Band frequency range in the states of Bahia and Sergipe, home to more than 15.5 million people, representing 8.6% of Brazil's population, and encompassing 16 metropolitan areas with populations in excess of 100,000 people. TLE covers 31% of the municipalities and 68% of the population in this area.

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TLE and its subsidiaries had aggregate net operating revenues of R\$431.4 million, R\$441.3 million and R\$487.0 million in 2002, 2003 and 2004, respectively. In the nine months ended September 30, 2005, TLE had net operating revenues of R\$418.7 million. At September 30, 2005, TLE and its subsidiaries had 1.4 million cellular lines in service and a market share of approximately 34.4% in its authorized areas, estimated based on the total number of cellular lines in service in those areas as published by Anatel.

TLE's principal executive offices are located at Av. Roque Petroni Júnior, 1464, 4º Andar Lado A, 04707-000, São Paulo, SP, Brazil, and its telephone number is 011-55-11-5105-2276.

For more information about TLE, please see Annex A to this prospectus (information derived from TLE's Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2004), including the following sections: Item 4. Information on the Company, Item 5. Operating and Financial Review and Prospects, Item 7. Major Shareholders and Related Party Transactions, Item 8. Financial Information Consolidated Statements and Other Financial Information Legal Matters and Item 11. Quantitative and Qualitative Disclosures About Market Risk.

TSD

According to market share data published by Anatel, TSD is the leading provider of cellular telecommunications services in the states of Rio de Janeiro and Espirito Santo through its subsidiaries Telerj Celular S.A., or Telerj, and Telest Celular, or Telest.

TSD provides mobile telecommunications services on the A Band frequency range in the states of Rio de Janeiro and Espirito Santo, covering approximately 89,774 square kilometers, representing approximately 1.1% of Brazil's territory. This area is home to more than 18 million people, representing 10.2% of Brazil's population. TSD covers 100% of the municipalities and 96.8% of the population in this area.

TSD and its subsidiaries had aggregate net operating revenues of R\$1,847.6 million, R\$1,892.5 million and R\$1,927.0 million in 2002, 2003 and 2004, respectively. In the nine months ended September 30, 2005, TSD had net operating revenues of R\$1,505.3 million. At September 30, 2005, TSD and its subsidiaries had 4.6 million cellular lines in service and a market share of approximately 44.2% in its authorized areas, estimated based on the total number of cellular lines in service in those areas as published by Anatel.

TSD's principal executive offices are located in Praia de Botafogo, 501, Torre Corcovado, 7º andar, 22250-040, Rio de Janeiro, RJ, Brazil, and its telephone number is 011-55-21-2586-6622.

For more information about TSD, please see Annex B to this prospectus (information derived from TSD's Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2004), including the following sections: Item 4. Information on the Company, Item 5. Operating and Financial Review and Prospects, Item 7. Major Shareholders and Related Party Transactions, Item 8. Financial Information Consolidated Statements and Other Financial Information Legal Matters and Item 11. Quantitative and Qualitative Disclosures About Market Risk.

Celular CRT

According to data published by Anatel, Celular CRT is a leading provider of cellular telecommunications services in Brazil through its subsidiary Celular CRT S.A. Celular CRT provides mobile telecommunications services on the A Band frequency range in the state of Rio Grande do Sul, an area with more than 10.5 million people, representing 5.6% of Brazil's population.

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Celular CRT had net operating revenues of R\$896.3 million, R\$1,032.7 million and R\$1,174.3 million in 2002, 2003 and 2004, respectively. In the nine months ended September 30, 2005, Celular CRT had net operating revenues of R\$892.4 million. At September 30, 2005, Celular CRT had 3.4 million cellular lines in service and a market share of approximately 50,3% in its authorization area, estimated based on the total number of cellular lines in service in that area as published by Anatel.

Celular CRT's principal executive offices are located at Rua José Bonifácio, 245, Farroupilha, 90040-130 Porto Alegre, RS, Brazil, and its telephone number is 011-55-11-5105-2276.

Celular CRT is not subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act. For more information about Celular CRT, please see Part Four: Information on the VIVO Companies and the audited consolidated financial statements and unaudited condensed consolidated financial statements of Celular CRT included in this prospectus.

VIVO

In 2002, Portugal Telecom and Telefónica Móviles transferred all of their investments in cellular telecommunications businesses in Brazil to Brasilcel. Portugal Telecom and Telefonica Móviles are managing this joint venture on an equal basis.

All of TCP, TCO, TSD, TLE and Celular CRT are controlled by Brasilcel, directly and/or indirectly, and have been operating under the brand name VIVO since April 2003. The VIVO companies pursue a common commercial strategy and are guided by a common management team. VIVO designs marketing, promotional and other initiatives common to all the companies and then tailors those activities to the particular markets of those companies.

According to data published by Anatel, VIVO has 36.1% of the total market in Brazil and 45.9% of the total market in its authorized areas, with 28.8 million users at September 30, 2005. Its operations cover an area with approximately 135 million inhabitants, or 73% of the Brazilian population.

Upon the completion of the merger of shares of TCO with TCP and of the merger of companies of each of TCO, TLE, TSD and Celular CRT with TCP, TCP will be renamed Vivo Participações S.A. and will be the holding company of TCO and of the subsidiaries of TLE, TSD and Celular CRT.

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The following chart shows our expected corporate structure after the merger.

Combined Region

The map below shows the regions in Brazil in which VIVO operates.

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The Merger (Page 112)

We are proposing the merger of shares of TCO with TCP, and the merger of companies of TLE, TSD and Celular CRT with TCP, in each case under Brazilian law. We refer to the transaction herein as the merger.

We believe the merger will enable us to align the interests of the shareholders of TCP, TCO, TLE, TSD and Celular CRT, provide you with securities that we expect will enjoy greater market liquidity than the securities you currently hold, simplify the shareholding and organizational structure of the VIVO business and expand its shareholder base, and take advantage of important synergies among the companies, which are already operating under the same brand name VIVO.

If the merger is approved:

TCO will become a wholly owned subsidiary of TCP, and TLE, TSD and Celular CRT will merge with and into TCP with TCP as the surviving company;

direct holders of common shares and preferred shares of TCO will receive 3.0830 common shares or preferred shares of TCP for each common share or preferred share, respectively, they hold without any further action by those holders; holders of ADSs of TCO will receive 3.0830 ADSs of TCP for each ADS they hold upon surrender of TCO's ADSs and payment of any fees and expenses of the TCO depositary and of the TCP depositary;

direct holders of common shares and preferred shares of TLE will receive 3.8998 common shares or preferred shares of TCP for each common share or preferred share, respectively, they hold without any further action by those holders; holders of ADSs of TLE will receive 3.8998 ADSs of TCP for each ADS they hold upon surrender of TLE's ADSs and payment of any fees and expenses of the TLE depositary and of the TCP depositary;

direct holders of common shares and preferred shares of TSD will receive 3.2879 common shares or preferred shares of TCP for each common share or preferred share, respectively, they hold without any further action by those holders; holders of ADSs of TSD will receive 3.2879 ADSs of TCP for each ADS they hold upon surrender of TSD's ADSs and payment of any fees and expenses of the TSD depositary and of the TCP depositary; and

holders of common shares or preferred shares of Celular CRT will receive 7.0294 common shares or preferred shares of TCP for each common share or preferred share, respectively, they hold without any further action by those holders; Celular CRT does not have an ADS program.

Brasilcel holds, directly and indirectly, 92.51% of the common shares and 50.02% of the preferred shares of our company, representing 66.09% of our total voting shares. Brasilcel has represented to us that it and its subsidiaries will vote the shares of our company they hold in favor of the merger.

Brasilcel also holds, directly and indirectly, 68.72% of the common shares and 40.95% of the preferred shares of TLE, representing 50.67% of TLE's total voting shares, 92.01% of TSD's voting common shares, and 90.57% of Celular CRT's voting common shares. Brasilcel has represented to us that it and its subsidiaries will vote the shares of TLE, TSD and Celular CRT they hold in favor of the merger.

We hold 90.59% of the voting common shares of TCO. We intend to vote the shares of TCO we hold in favor of the merger.

The merger of each of TCO, TLE, TSD and Celular CRT with TCP will require the affirmative vote of holders representing at least 50% plus one of the aggregate TCP common shares and preferred shares that are present at a duly convened extraordinary general meeting, and the affirmative vote of holders representing at least 50% plus one of the aggregate common shares of TCO, TSD or Celular CRT, respectively, at separate

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extraordinary general meetings. The merger of TLE with TCP will require the affirmative vote of holders representing at least 50% plus one of the aggregate TCP common shares and preferred shares that are present at a duly convened extraordinary general meeting, and the affirmative vote of holders representing at least 50% plus one of the aggregate common shares and preferred shares of TLE, at an extraordinary general meeting of the shareholders of that company. The extraordinary general meetings of TCO, TLE, TSD and Celular CRT are scheduled to be held as follows:

, 2006

2 p.m., local time

Tele Centro Oeste Celular Participações S.A.

SCS Quadra 2, Bloco C, 226

Edifício Telebrasilíia Celular, 7º andar

70302-916 Brasília, DF

Brazil

Tele Sudeste Celular Participações S.A.

Praia de Botofago, 501

Torre Corcovado, 7º andar

22250-040 Rio de Janeiro, RJ

Brazil

Tele Leste Celular Participações S.A.

Av. Roque Petroni Júnior, 1464

04707-000 São Paulo, SP

Brazil

Celular CRT Participações S.A.

Rua José Bonifácio, 245, Farroupilha

90040-130 Porto Alegre, RS

Brazil

If you hold common shares of TCO, TSD, TLE or Celular CRT you may attend and vote at the respective meeting. If you hold preferred shares of TCO, TSD or Celular CRT directly, you may attend the respective meeting, but you may not vote. If you hold TLE preferred shares directly, you may attend and vote at the respective meeting. Under the Brazilian corporation law, you may be required to show a document proving your identity to gain admittance to the meeting. If you hold ADSs of TCO or TSD, you are not entitled to attend the respective shareholder's meeting. If you hold TLE ADSs, you are not entitled to attend the respective shareholder's meeting, but you may communicate your voting instructions to the TLE depository. No holder of preferred shares of TCO, TSD or Celular CRT, and no holder of ADSs of TCO or TSD may vote at the respective meeting.

There are no conditions to the completion of each merger other than shareholder approval by both TCP, on one hand, and TCO, TSD, TLE or Celular CRT, as the case may be, on the other hand. The approval of the NYSE of the listing of the ADSs of TCP to be delivered in connection with the merger of each of TCO, TLE or TSD, for which we will apply, must be obtained for these shares to be traded by their holders. However, this approval is not a condition to the completion of the merger.

The approval of the merger by the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or CVM, is not a condition to the merger. See Part Three: Risk Factors Risks Relating to the Brazilian Telecommunications Industry and the Business. The CVM, the Brazilian securities regulator, may suspend for up to 15 days the shareholders' meetings scheduled to approve the merger.

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Receipt of Shares and ADSs of TCP (Page 120)

If the merger is approved, each common share or preferred share:

of TCO will become 3.0830 common shares or preferred shares, respectively, of TCP;

of TLE will become 3.8998 common shares or preferred shares, respectively, of TCP;

of TSD will become 3.2879 common shares or preferred shares, respectively, of TCP; and

of Celular CRT will become 7.0294 common shares or preferred shares, respectively, of TCP.

in each case without any action by you. Because the common shares and preferred shares of TCP are book-entry shares, an entry or entries will be made in the share registry of TCP to evidence the common shares or preferred shares received in the merger. Neither you nor any other person will receive certificates evidencing common shares or preferred shares of TCP.

Holders of ADSs representing preferred shares will receive:

3.0830 ADSs representing preferred shares of TCP in the merger for each ADS of TCO they hold;

3.8998 ADSs representing preferred shares of TCP in the merger for each ADS of TLE they hold; and

3.2879 ADSs representing preferred shares of TCP in the merger for each ADS of TSD they hold.

When the merger becomes effective, TCP will deposit with a custodian for The Bank of New York, as depositary under each of the TCO, TLE and TSD ADS programs, the TCP preferred shares issuable in respect of the ADSs of TCO, TLE or TSD then held in that program. The Bank of New York, as depositary, will deposit those TCP preferred shares with the custodian for The Bank of New York, as depositary under the TCP ADS program, and instruct that depositary to cause to be issued and to deliver, subject to payment of the fees and expenses of that depositary under the TCP deposit agreement (which will not be in excess of \$5.00 or less per 100 ADSs (or portion thereof)), ADSs representing those TCP preferred shares to the depositary for the ADS program of TCO, TLE or TSD, as the case may be. When the TCP ADSs are received in the ADS program of each of TCO, TLE and TSD, the ADSs of each of TCO, TLE and TSD will represent a right to receive TCP ADSs, and The Bank of New York, as depositary under the ADS program of each of TCO, TLE and TSD, will call for the surrender of the ADRs evidencing those former TCO, TLE or TSD ADSs. Upon surrender of those ADRs and payment of the depositary's fees and expenses as provided in each of the TCO, TLE and TSD deposit agreements (which will not be in excess of \$5.00 or less per 100 ADSs (or portion thereof)), the depositary will deliver the TCP ADSs (and cash in lieu of any fractions as described in Part Five: The Merger Fractional Shares and ADSs) to the holders of the former TCO, TLE or TSD ADSs.

Management (Page 126)

TCP is managed, and after the merger will be managed, by a board of directors of 9 members, each serving a three-year term expiring at the ordinary general meeting of shareholders to be held by April 2006, except that the term of Antônio Gonçalves de Oliveira will expire in April 2007. The board of executive officers of TCP currently consists of five members, led by Roberto Oliveira de Lima as chief executive officer.

TCP is headquartered in São Paulo, Brazil and will maintain that headquarters after the merger.

Accounting Treatment of the Merger (Page 125)

Under Brazilian GAAP, the body of accounting principles we use to prepare our consolidated financial statements, the merger will be accounted for at book value. Under U.S. GAAP, since TCP and each of the Targets have been under common control since December 27, 2002, the exchange of shares of TCP for common

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and preferred shares of the Targets held directly or indirectly by Brasilcel N.V. will be accounted for at historical cost in a manner similar to a pooling of interests. Accordingly, the assets acquired and the liabilities assumed in the merger, to the extent of the proportionate interests in the Targets under common control, will be accounted for based on the historical carrying values of the assets and liabilities of each of the Targets, as would be reflected in the consolidated financial statements of Brasilcel N.V. The proportionate interests in each of the Targets acquired from shareholders unrelated to the controlling shareholders will be accounted for using the purchase method of accounting in accordance with SFAS No. 141, *Business Combinations*. Under the purchase method of accounting, the pro rata assets acquired and liabilities assumed are recorded at their fair values, and any excess of purchase price over the related fair value of net assets acquired is accounted for as goodwill. The financial statements of New TCP presented after the merger will retroactively reflect the combination of TCP and the Targets to the extent of the proportionate interests in the Targets under common control since December 27, 2002, in accordance with Brazilian GAAP and U.S. GAAP.

Stock Exchange Matters (Page 151)

Upon the completion of the merger, TCP will be renamed Vivo Participações S.A. TCP's common shares will be traded on the São Paulo Stock Exchange under the ticker symbol VIVO3 and preferred shares will be traded on the São Paulo Stock Exchange under the ticker symbol VIVO4. ADSs representing preferred shares of TCP will be traded on the New York Stock Exchange under the ticker symbol VIV.

After the merger is complete, preferred shares and common shares of TCO, TLE, TSD and Celular CRT will be delisted from the São Paulo Stock Exchange, and ADSs of TCO, TLE and TSD will be delisted from the New York Stock Exchange.

Appraisal or Dissenters' Rights (Page 122)

Holders of common shares of TCP, TCO, TLE, TSD and Celular CRT, and holders of preferred shares of TCP and TSD are entitled to appraisal rights in connection with the merger. If you hold common shares of TCO, TLE or TSD, or preferred shares of TSD, you will have the right to choose to receive, instead of the TCP common shares or preferred shares, as the case may be, an amount in cash equal to the greater of the amounts shown for that company in the table below:

	Appraisal amounts	
	the greater of	
	Shareholders' equity per share in accordance with Brazilian GAAP (1)	Market value of shareholders' equity per share (1)
	(reais per share)	
TCO (common or preferred shares)	R\$ 21.80	R\$ 18.38
TLE (common or preferred shares)	33.18	24.99
TSD (preferred shares)	22.31	21.97

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(1) Calculated as of September 30, 2005 using the methodology described in Part Five: The Merger Appraisal or Dissenters Rights.

If you hold common shares of Celular CRT, you will have the right to choose to receive, instead of the TCP common shares, an amount in cash equal to R\$37.50 per share, the shareholders equity per share of Celular CRT in accordance with Brazilian GAAP, calculated as of September 30, 2005 using the methodology described in Part Five: The Merger Appraisal or Dissenters Rights.

If you have appraisal rights, your appraisal rights will lapse not less than 30 days after publication of the minutes of the extraordinary general shareholders meeting called to approve the merger.

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Holders of TCP common shares and preferred shares also have the right to choose to receive an amount in cash equal to R\$6.52 per share, the shareholders' equity per share of TCP in accordance with Brazilian GAAP, calculated as of September 30, 2005 using the methodology described in Part Five: The Merger Appraisal or Dissenters' Rights.

Any holder of TSD's ADSs that wishes to exercise the appraisal rights relating to the preferred shares of TSD underlying the ADSs held by that holder must surrender the American Depositary Receipts evidencing those ADSs, pay the applicable fees of the depository, withdraw the preferred shares from the TSD ADR program and exercise the appraisal rights relating to those preferred shares directly.

Holders of preferred shares of TCO, TLE and Celular CRT and holders of ADSs of TCO and TLE are not entitled to appraisal or dissenters' rights in connection with the merger under Brazilian law.

Material Tax Considerations (Page 132)

If you are a U.S. Holder of TCO shares or TCO ADSs, the U.S. federal income tax consequences of the merger are uncertain. If required, TCP intends to take the position that, pursuant to the merger, you generally will not recognize gain or loss for U.S. federal income tax purposes on the receipt of TCP shares or TCP ADSs in exchange for your TCO shares or TCO ADSs, except to the extent of any cash received in lieu of fractional shares. If you are a U.S. Holder of shares of TLE, TSD or Celular CRT, or ADSs of TLE or TSD, TCP believes you generally will not recognize gain or loss for U.S. federal income tax purposes on the receipt of TCP shares or TCP ADSs in exchange for shares of TLE, TSD or Celular CRT, or ADSs of TLE or TSD, except to the extent of any cash received in lieu of fractional shares. You will also be subject to certain U.S. federal income tax consequences as a result of holding TCP shares or TCP ADSs received pursuant to the merger. See Part Five: The Merger Material Tax Considerations United States Federal Income Tax Considerations.

There are reasonable Brazilian legal grounds to sustain that the receipt (resulting from the merger) by a non-Brazilian holder of ADSs or by a U.S. person of common or preferred shares that are registered as a foreign portfolio investment under Resolution 2,689/00 of the National Monetary Council or are registered as a foreign direct investment under Law 4,131/62 would not be subject to income tax pursuant to Brazilian law. However, Brazilian tax legislation does not contain specific provisions with respect to the merger. See Part Five: The Merger Material Tax Considerations Brazilian Tax Considerations.

Valuation Reports of Goldman Sachs (Page 144)

In connection with the mergers, our board of directors received valuation reports from Goldman Sachs expressing the view that, as of the date of those reports and based on and subject to the assumptions and considerations described in those reports and based on other matters as Goldman Sachs considered relevant, if the exchange ratio approved by the board of directors of TCP with respect to each merger was within the implied exchange ratios derived from the valuation analyses performed by Goldman Sachs with respect to TCP and TCO, TLE, TSD or Celular CRT, as applicable, then that exchange ratio as of December 4, 2005 would constitute equitable treatment as understood in the manner described in such reports.

We urge you to read carefully the summary of the valuation reports set forth in Part Five: The Merger Valuation Reports of Goldman Sachs, which includes information on how to obtain copies of the full reports.

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Timetable for the Merger

Meeting of the boards of directors of each of TCP, Celular CRT, TCO, TLE and TSD to approve the merger	December 4, 2005
Announcement of the merger	December 4, 2005
Mailing of prospectus to holders of TCO, TLE and TSD ADSs and U.S. holders of common and preferred shares of Celular CRT, TCO, TLE and TSD	, 2006
Meeting of shareholders of each of TCP, Celular CRT, TCO, TLE and TSD to approve the merger	, 2006
Completion of merger	, 2006
Beginning of period for exercise of appraisal rights, where applicable	, 2006
End of period for exercise of appraisal rights, where applicable	, 2006
Trading of new common and preferred shares expected to begin on the São Paulo Stock Exchange on or about	, 2006
Trading of new TCP ADSs expected to begin on the New York Stock Exchange on or about	, 2006
ADRs evidencing new TCP ADSs expected to be delivered as soon as practicable after	, 2006

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Summary Historical and Pro Forma Financial Data

The following information is provided to aid you in your analysis of the financial aspects of the merger. The historical information below is only a summary derived from the following financial statements included in this prospectus:

the audited consolidated financial statements of TCP, TCO, TLE, TSD and Celular CRT at December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 incorporated by reference in this prospectus, and the unaudited condensed consolidated interim financial statements of TCP at September 30, 2005 and for the nine months ended September 30, 2004 and 2005, included in this prospectus; and

the audited consolidated financial statements of Celular CRT at December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 and the unaudited condensed consolidated interim financial statements of Celular CRT at September 30, 2005 and for the nine months ended September 30, 2004 and 2005, in each case included in this prospectus.

The unaudited pro forma combined balance sheet as of September 30, 2005 combines the historical consolidated balance sheets of TCP, TLE, TSD and Celular CRT, giving effect to (1) the merger with respect to the proportionate interest in the Targets under common control as if it had been consummated on December 27, 2002, the date these companies came under common control, and (2) the acquisitions of the minority interests in TCO, TLE, TSD and Celular CRT as if they had occurred on September 30, 2005. The unaudited pro forma combined statements of loss for the nine-month period ended September 30, 2005 and the years ended December 31, 2004 and 2003 combine the historical consolidated statements of income of TCP, TLE, TSD and Celular CRT, giving effect to (1) the merger with respect to the proportionate interest in the Targets under common control as if it had been consummated on December 27, 2002 and (2) the acquisitions of the minority interests in TCO, TLE, TSD and Celular CRT as if they had occurred on January 1, 2004.

The pro forma adjustments presented in the unaudited pro forma combined financial information give effect to estimates made by our management and assumptions it believes to be reasonable. The unaudited pro forma combined financial information does not include pro forma adjustments to take into account any synergies or cost savings that may or are expected to occur as a result of the merger.

The unaudited pro forma combined financial data were prepared for illustrative purposes only. This information does not purport to represent what the actual results of operations or financial position of TCP would have been had the merger actually occurred on the dates specified, nor does it project our results of operations or financial position for any future period or date.

You should read this summary historical and pro forma financial data together with these financial statements.

The results of operations of TCP, TCO, TLE, TSD and Celular CRT for the nine months ended September 30, 2005 are not necessarily indicative of the operating results to be expected for the entire year ended December 31, 2005.

The comparability of TCP's financial statements as of and for the years presented is limited because:

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We acquired 61.1% of the total voting capital stock (including treasury shares) of TCO on April 25, 2003. We acquired additional shares of voting capital stock of TCO in a public tender offer in November 2003, bringing the percentage of TCO's total voting capital stock (including treasury shares) we owned to 86.19% and the percentage of TCO's total capital stock (including treasury shares) we owned to 28.9% (and TCO then held an additional 4.5% of TCO's voting capital stock in treasury, representing 1.5% of TCO's capital stock). Since May 1, 2003, we have consolidated TCO due to our acquisition of control.

We acquired additional shares of voting capital stock and preferred shares of TCO in another public tender offer in October 2004, and in July 2005 we acquired additional shares of voting capital stock of TCO in a capital increase and TCO cancelled all treasury shares, bringing the percentage of TCO's total voting capital stock we own to 90.59% and the percentage of TCO's total capital stock we own to 52.47%.

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The historical and pro forma financial data set forth below have been prepared using accounting practices in accordance with the Brazilian corporation law, standards applicable to holders of authorizations for the provision of Brazilian public telecommunication services and accounting standards and procedures established by the CVM. We refer to these accounting practices in this prospectus as the generally accepted accounting principles in Brazil, or Brazilian GAAP.

Brazilian GAAP differs in significant respects from generally accepted accounting principles in the United States, or U.S. GAAP.

For an explanation of these differences as they relate to TCP, see note 21 to TCP's unaudited consolidated financial statements at September 30, 2005 and for the nine months ended September 30, 2004 and 2005 and note 37 to TCP's audited consolidated financial statements at December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004.

For an explanation of these differences as they relate to TCO see note 37 to TCO's audited consolidated financial statements at December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 and note 21 to TCO's unaudited consolidated financial statements at September 30, 2005 and for the nine months ended September 30, 2004 and 2005.

For an explanation of these differences as they relate to TLE see note 34 to TLE's audited consolidated financial statements at December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 and note 20 to TLE's unaudited consolidated financial statements at September 30, 2005 and for the nine months ended September 30, 2004 and 2005.

For an explanation of these differences as they relate to TSD see note 35 to TSD's audited consolidated financial statements at December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 and note 21 to TSD's unaudited consolidated financial statements at September 30, 2005 and for the nine months ended September 30, 2004 and 2005.

For an explanation of these differences as they relate to Celular CRT see note 31 to Celular CRT's audited consolidated financial statements at December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 and note 19 to Celular CRT's unaudited consolidated financial statements at September 30, 2005 and for the nine months ended September 30, 2004 and 2005.

For convenience only, some Brazilian currency amounts have been translated into U.S. dollars at a rate of R\$2.2222 to U.S.\$1.00, the Brazilian Central Bank's PTAX selling rate at September 30, 2005.

Table of Contents**Summary Historical TCP Financial Data**

	At or for the nine months ended			At or for the year ended December 31,			
	September 30,						
	2005	2005	2004	2004	2004	2003	2002
(U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)		(U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)			
Income Statement Data:							
<i>Brazilian GAAP</i>							
Net operating revenue	2,471.3	5,491.7	5,387.8	3,303.5	7,341.0	6,046.3	3,415.0
Cost of services and goods sold	(1,115.8)	(2,479.6)	(2,353.4)	(1,500.8)	(3,335.1)	(3,020.5)	(1,739.4)
Gross profit	1,355.5	3,012.1	3,034.4	1,802.7	4,005.9	3,025.8	1,675.6
Operating expenses:							
Selling expenses	(805.9)	(1,790.9)	(1,318.6)	(853.4)	(1,896.4)	(1,264.9)	(526.9)
General and administrative expenses	(204.8)	(455.1)	(506.1)	(285.7)	(634.9)	(561.3)	(343.2)
Other net operating income (expenses)	(129.2)	(287.0)	(151.9)	(71.8)	(159.6)	(145.0)	(39.8)
Operating income before equity in losses of unconsolidated subsidiary and net financial expenses	215.6	479.1	1,057.8	591.8	1,315.0	1,054.6	765.7
Equity in losses of unconsolidated subsidiary							(890.7)
Net financial expenses	(307.8)	(683.9)	(751.3)	(492.9)	(1,095.4)	(1,133.5)	(808.4)
Operating income (loss)	(92.2)	(204.8)	306.5	98.9	219.6	(78.9)	(933.4)
Net non-operating income (expenses)	5.4	12.0	1.4	(23.0)	(51.2)	(25.7)	10.0
Income (loss) before income taxes, minority interests and extraordinary item	(86.8)	(192.8)	307.9	75.9	168.4	(104.6)	(923.4)
Income taxes	(119.6)	(265.8)	(294.0)	(147.2)	(327.0)	(277.9)	(46.5)
Minority interests	(59.9)	(133.0)	(269.4)	(149.2)	(331.5)	(257.7)	
Extraordinary item, net of taxes							(170.8)
Net loss	(266.3)	(591.6)	(255.5)	(220.5)	(490.1)	(640.2)	(1,140.7)
Net loss per share(3)	(0.40)	(0.89)	(0.00022)	(0.19)	(0.42)	(0.55)	(0.97)
<i>U.S. GAAP</i>							
Net operating revenue	3,222.0	7,160.0	7,575.1	4,508.9	10,019.7	7,886.5	4,575.0
Operating income	309.7	688.3	1,009.9	544.2	1,209.4	1,000.8	328.8
Net financial expenses	(299.1)	(664.7)	(662.1)	(443.6)	(985.8)	(375.9)	(1,149.6)
Equity in losses of unconsolidated subsidiaries							(759.1)
Net non-operating income (expenses)	5.4	12.0	1.4	(23.0)	(51.2)	(25.7)	9.8
Income (loss) before income taxes and minority interests	16.0	35.6	349.2	77.6	172.4	599.2	(1,570.1)
Income taxes and minority interest	(189.5)	(421.1)	(593.5)	(302.9)	(673.1)	(698.0)	74.4
Net loss	(173.5)	(385.5)	(244.3)	(225.3)	(500.7)	(98.8)	(1,495.7)
Basic and diluted net loss per share common and preferred(3)	(0.27)	(0.61)	(0.52)	(0.48)	(1.08)	(0.20)	(5.45)
Cash Flow Data:							
Cash flows from operating activities	392.2	871.6	872.4	588.3	1,307.3	1,459.7	984.4
Cash flows from investing activities	(498.5)	(1,107.7)	(899.1)	(1,031.1)	(2,291.4)	(1,643.3)	(3,820.5)
Cash flows from financing activities	43.1	95.8	376.7	452.7	1,006.1	1,324.6	2,772.3

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	At or for the nine months ended September 30,		At or for the year ended December 31,			
	2005	2005	2004	2004	2003	2002
	(U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)	(U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)		
Balance Sheet Data:						
<i>Brazilian GAAP</i>						
Property, plant and equipment, net	2,576.4	5,725.2	2,521.4	5,603.0	5,240.8	4,770.7
Total assets	6,089.1	13,531.1	6,359.1	14,131.2	13,624.7	9,654.4
Loans and financing current portion	738.0	1,640.0	1,303.7	2,897.0	3,993.3	2,068.1
Loans and financing non-current portion	1,489.5	3,309.9	929.8	2,066.2	2,295.8	2,392.7
Net assets	1,942.1	4,315.8	1,308.3	2,907.4	3,393.2	4,010.0
Capital stock	3,001.6	6,670.2	1,968.2	4,373.7	4,373.7	4,373.7
Number of shares as adjusted to reflect changes in capital (in thousands)(3)	662,324	662,324	1,171,784,352	1,171,784,352	1,171,784,352	1,171,784,352
<i>U.S. GAAP</i>						
Property, plant and equipment, net	2,618.8	5,819.4	2,542.4	5,649.7	4,738.3	2,794.5
Total assets	6,233.2	13,851.4	6,401.9	14,226.3	13,546.5	10,202.0
Total liabilities	1,924.6	4,276.8	3,833.3	8,518.3	9,213.7	6,894.7
Net assets	1,957.5	4,350.0	1,231.0	2,735.6	3,232.0	3,307.3
Capital stock	3,001.6	6,670.2	1,968.2	4,373.7	4,373.7	4,373.7
Number of shares as adjusted to reflect changes in capital (in thousands)(3)	662,324	662,324	468,714	468,714	468,714	468,714

(1) Translated for convenience only using the PTAX selling rate for U.S. dollars as reported by the Central Bank on September 30, 2005.

(2) Interest on shareholders' equity is included as part of dividends and is presented net of taxes.

(3) On April 1, 2005, TCP's shareholders approved a 2,500 for one reverse stock split of TCP's common and preferred shares. Under Brazilian GAAP, reverse stock splits are not reflected retroactively. Had the reverse stock split been reflected retroactively, loss per share as adjusted to reflect changes in capital for the years ended December 31, 2004, 2003, 2002 and the nine-months ended September 30, 2004 would have amounted to R\$1.045, R\$1.365, R\$2.433 and R\$0.545, respectively, and the number of shares as adjusted to reflect changes in capital for the years ended December 31, 2004, 2003, 2002 and the nine-months ended September 30, 2004 would have amounted to 468,714, 468,714, 468,714 and 468,714 (in thousands of shares), respectively. Under U.S. GAAP, basic and diluted net loss per share common and preferred and the number of shares as adjusted to reflect changes in capital have been retroactively adjusted for all periods presented to reflect the reverse stock split.

Table of Contents**Summary Historical TCO Financial Data**

	At or for the nine months ended			At or for the year ended December 31,			
	September 30,						
	2005	2005	2004	2004	2004	2003	2002
(U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)		(U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)			
Income Statement Data:							
<i>Brazilian GAAP</i>							
Net operating revenue	766.0	1,702.2	1,601.5	994.7	2,210.4	1,958.9	1,572.1
Cost of services and goods sold	(328.2)	(729.3)	(619.3)	(409.7)	(910.4)	(904.0)	(741.8)
Gross profit	437.8	972.9	982.2	585.0	1,300.0	1,054.9	830.3
Operating expenses:							
Selling expenses	(224.9)	(499.7)	(340.1)	(212.7)	(472.7)	(300.5)	(215.3)
General and administrative expenses	(60.2)	(133.8)	(114.1)	(67.1)	(149.1)	(193.3)	(141.9)
Other net operating income (expenses)	0.6	1.3	6.3	1.4	3.1	(13.4)	(14.6)
Operating income before net financial income	153.3	340.7	534.3	306.6	681.3	547.7	458.5
Net financial income	41.9	93.2	50.9	28.0	62.2	111.7	4.0
Operating income	195.2	433.9	585.2	334.6	743.5	659.4	462.5
Net nonoperating expenses	1.4	3.0	(2.1)	(4.1)	(9.1)	(6.4)	4.3
Income before income taxes and minority interests	196.6	436.9	583.1	330.5	734.4	653.0	466.8
Income and social contribution taxes	(72.4)	(161.0)	(202.4)	(100.9)	(224.2)	(181.1)	(131.5)
Minority interests			(3.2)	(1.4)	(3.2)	(8.5)	(6.1)
Net income	124.2	275.9	377.5	228.2	507.0	463.4	329.2
Net income per share(3)	0.95	2.12	0.00099	0.60	1.33	1.24	0.88
Dividends declared per common share(2) R\$					0.32	0.30	0.21
Dividends declared per preferred share(2) R\$					0.32	0.30	0.21
Dividends declared per common share(2) US\$					0.12	0.10	0.07
Dividends declared per preferred share(2) US\$					0.12	0.10	0.07
<i>U.S. GAAP</i>							
Net Revenue	1,047.7	2,328.2	2,277.2	1,369.7	3,043.8	2,466.5	1,890.8
Operating Income	157.1	349.2	489.8	278.6	619.1	552.1	444.8
Net income	127.7	283.7	349.8	210.6	468.0	487.7	299.3
Net Income (loss) per shares(3)							
Common shares basic	0.99	2.20	2.79	1.67	3.72	3.93	2.43
Common shares diluted	0.81	1.80	2.46	1.47	3.27	3.87	2.43
Weighted average number of Common Shares outstanding basic (in thousands)	42,800,490	42,800,490	40,808,487	40,905,944	40,905,944	40,213,981	42,527,967
Weighted average number of Common Shares outstanding diluted (in thousands)	72,078,725	72,078,725	57,449,870	54,526,923	54,526,923	41,162,605	43,523,491
Preferred shares basic	1.00	2.21	2.79	1.67	3.72	3.93	2.43
Preferred shares diluted	0.81	1.80	2.46	1.53	3.39	3.90	2.43
Weighted average number of Preferred Shares outstanding basic and diluted (in thousands)	85,734,740	85,734,740	84,757,622	84,995,327	84,995,327	84,255,566	80,093,023
Cash Flow Data:							
<i>Brazilian GAAP</i>							
Cash flows from operating activities	168.2	373.8	459.4	303.6	674.6	625.5	615.8
Cash flows from investing activities	(97.5)	(216.6)	(285.5)	(188.8)	(419.6)	502.9	(520.9)
Cash flows from financing activities	(18.9)	(41.9)	(104.0)	(124.1)	(275.8)	(314.9)	(263.1)
Increase (decrease) in cash and cash equivalents	(20.1)	(44.8)	69.9	(9.4)	(20.9)	813.6	(168.1)
Cash and cash equivalents at the beginning of year	428.0	951.2	972.1	437.4	972.1	158.5	326.6
Cash and cash equivalents at the end of year	407.9	906.4	1,042.0	428.0	951.2	972.1	158.5

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	At or for the nine months		At or for the year ended December 31,			
	ended September 30,		2004		2003	2002
	2005	2005	2004	2004	2003	2002
	(U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)	(U.S.\$ millions, except per share data)(1)		(R\$ millions, except per share data)	
Balance Sheet Data:						
<i>Brazilian GAAP</i>						
Property, plant and equipment, net	509.7	1,132.7	496.9	1,104.3	891.0	891.4
Total assets	1,711.9	3,804.3	1,618.1	3,595.7	2,654.2	2,364.7
Loans and financing current portion	35.2	78.2	46.2	102.7	135.0	325.0
Loans and financing non current portion	28.1	62.5	55.6	123.5	233.1	302.8
Capital stock	459.8	1,021.7	356.8	793.0	570.1	534.0
Number of shares as adjusted to reflect changes in capital (in thousands)(3)	130,068	130,068	380,877,925	380,877,925	373,408,642	373,408,642
Net assets	1,275.9	2,835.3	1,098.7	2,441.5	1,556.1	1,218.5
<i>U.S. GAAP</i>						
Property, plant and equipment, net	541.9	1,204.1	407.8	906.2	811.5	811.9
Total assets	1,729.1	3,842.4	1,626.6	3,614.7	2,655.0	2,331.7
Loans and financing current portion	35.2	78.2	46.2	102.7	135.0	325.0
Loans and financing non current portion	28.1	62.5	55.6	123.5	213.1	302.8
Net assets	1,286.7	2,859.3	1,122.0	2,493.3	1,545.1	1,183.3
Capital stock	459.8	1,021.7	356.8	793.0	570.1	534.0
Number of outstanding shares as adjusted to reflect changes in capital (in thousands)(3)	130,068	130,068	126,959	126,959	124,470	124,470

- (1) Translated for convenience only using the PTAX selling rate for U.S. dollars as reported by the Central Bank on September 30, 2005.
- (2) Interest on shareholders' equity is included as part of dividends and is presented net of taxes.
- (3) On March 31, 2005, TCO's shareholders approved a 3,000 for one reverse stock split of TCO's common and preferred shares. Under Brazilian GAAP, reverse stock splits as adjusted to reflect changes in capital for the years ended December 31, 2004, 2003, 2002 and the nine-months ended September 30, 2004 would have amounted to R\$3.993, R\$3.723, R\$2.645 and R\$2.973, respectively, are not reflected retroactively. Had the reverse stock split been reflected retroactively, income per share and the number of shares adjusted to reflect changes in capital for the years ended December 31, 2004, 2003, 2002 and the nine-months ended September 30, 2004 would have amounted to 126,959, 124,470, 124,470 and 126,959 (in thousands of shares), respectively. Under U.S. GAAP, basic and diluted net income per share common and preferred and the number of shares as adjusted to reflect changes in capital have been retroactively adjusted for all periods presented to reflect the reverse stock split.

Table of Contents**Summary of Historical TLE Financial Data**

	At or for the nine months ended			At or for the year ended December 31,			
	September 30,						
	2005	2005	2004	2004	2004	2003	2002
(U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)		(U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)			
Income Statement Data:							
<i>Brazilian GAAP</i>							
Net operating revenue	188.4	418.7	351.6	219.2	487.0	441.3	431.4
Cost of services and goods sold	(105.0)	(233.4)	(204.5)	(127.0)	(282.2)	(256.3)	(241.4)
Gross profit	83.4	185.3	147.1	92.2	204.8	185.0	190.0
Operating expenses:							
Selling expenses	(63.8)	(141.8)	(103.7)	(66.2)	(147.1)	(145.0)	(116.4)
General and administrative expenses	(19.3)	(42.8)	(41.8)	(26.1)	(57.9)	(49.3)	(46.8)
Other net operating income (expenses)	(2.1)	(4.7)	(4.2)	(0.4)	(0.9)	(3.1)	2.1
Operating income before net financial income (expenses)	(1.8)	(4.0)	(2.6)	(0.5)	(1.1)	(12.4)	28.9
Net financial expenses	(20.1)	(44.7)	(14.5)	(11.1)	(24.7)	(30.3)	(32.8)
Operating loss	(21.9)	(48.7)	(17.1)	(11.6)	(25.8)	(42.7)	(3.9)
Net nonoperating income (expenses)	0.1	0.2	(0.5)	(0.9)	(1.9)	(0.7)	(1.6)
Loss before income taxes	(21.8)	(48.5)	(17.6)	(12.5)	(27.7)	(43.4)	(5.5)
Income and social contribution taxes	(2.7)	(6.0)	(4.7)	(3.0)	(6.6)	0.8	0.3
Reversal of interest on own capital							
Net loss	(24.5)	(54.5)	(22.3)	(15.5)	(34.3)	(42.6)	(5.2)
Net loss per share(3)	(2.54)	(5.65)	(0.00005)	(0.03)	(0.06)	(0.09)	(0.01)
<i>U.S. GAAP</i>							
Net income (loss)	(27.0)	(59.9)	(33.0)	(21.9)	(48.7)	(6.5)	(56.0)
Net income (loss) per thousand shares(3)							
Common Shares basic	(2.80)	(6.22)	(3.43)	(2.25)	(5.00)	(0.50)	(6.00)
Common shares diluted	(2.80)	(6.22)	(3.43)	(2.25)	(5.00)	(0.50)	(6.00)
Weighted average of Common shares outstanding basic (thousands)	3,352,125	3,352,125	3,340,801	3,342,604	3,342,604	3,320,156	3,320,161
Weighted average number of Common shares outstanding diluted (thousands)	3,352,125	3,352,125	3,340,801	8,042,937	8,042,937	6,519,624	7,183,546
Preferred shares basic	(2.80)	(6.22)	(3.43)	(2.25)	(5.00)	(0.50)	(6.00)
Preferred shares diluted	(2.80)	(6.22)	(3.43)	(2.25)	(5.00)	(0.50)	(6.00)
Weighted average number of Preferred shares outstanding basic and diluted (thousands)	6,627,392	6,627,392	6,267,722	6,267,722	6,267,722	6,267,722	6,268,740
Cash Flow Data:							
<i>Brazilian GAAP</i>							
Cash flows from operating activities	15.1	33.6	5.8	12.6	28.1	126.2	204.8
Cash flows from investing activities	(28.3)	(62.9)	(59.6)	(44.6)	(99.2)	(65.9)	(76.3)
Cash flows from financing activities	(12.9)	(28.7)	21.2	44.2	98.3	(82.1)	(76.2)
Increase (decrease) in cash and cash equivalents	(26.1)	(58.0)	(32.6)	12.2	27.2	(21.8)	52.3
Cash and cash equivalents beginning of year	39.0	86.6	59.4	26.7	59.4	81.3	29.0
Cash and cash equivalents at end of year	12.9	28.6	26.8	38.9	86.6	59.5	81.3

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	At or for the nine months ended September 30,		At or for the year ended December 31,			
	2005	2005	2004	2004	2003	2002
	(U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)	(U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)		
Balance Sheet Data:						
<i>Brazilian GAAP</i>						
Property, plant and equipment, net	166.5	369.9	175.4	389.7	392.6	464.5
Total assets	386.9	859.8	429.8	955.1	835.8	956.7
Loans and financing current portion	66.0	146.7	23.5	52.3	68.6	99.7
Loans and financing non current portion	52.5	116.6	117.8	261.8	153.7	269.9
Capital stock	138.1	306.8	137.9	306.4	305.4	305.4
Net assets	144.0	320.0	168.5	374.5	401.3	443.0
Number of shares as adjusted to reflect changes in capital (in thousands)(3)	9,644	9,644	480,618,118	480,618,118	479,393,884	479,445,039
<i>U.S. GAAP</i>						
Property, plant and equipment, net	171.7	381.6	183.2	407.0	365.5	439.9
Total assets	394.2	875.9	440.9	979.7	876.7	947.7
Loans and financing current portion	66.0	146.7	23.5	52.3	68.6	99.7
Loans and financing non current portion	52.5	116.6	117.8	261.8	153.7	269.9
Capital stock	138.1	306.8	137.9	306.4	305.4	305.4
Net assets	146.6	325.8	173.6	385.7	430.8	437.0
Number of shares as adjusted to reflect changes in capital (in thousands)(3)	9,644	9,644	9,612	9,612	9,588	9,589

- (1) Translated for convenience only using the PTAX selling rate for U.S. dollars as reported by the Central Bank on September 30, 2005.
- (2) Interest on shareholders' equity is included as part of dividends and is presented net of taxes.
- (3) On March 28, 2005, TLE's shareholders approved a 50,000 for one reverse stock split of TLE's common and preferred shares. Under Brazilian GAAP, reverse stock splits are not reflected retroactively. Had the reverse stock split been reflected retroactively, loss per share as adjusted to reflect changes in capital for the years ended December 31, 2004, 2003, and 2002 and the nine months ended September 30, 2004 would have amounted to R\$3,568, R\$4,443, R\$0.542, and R\$2.320, respectively, and the number of shares as adjusted to reflect changes in capital for the years ended December 31, 2004, 2003 and 2002 and the nine months ended September 30, 2004 would have amounted to 9,612, 9,588, 9,589 and 9,612 (in thousands of shares), respectively. Under U.S. GAAP, basic and diluted net loss per share common and preferred and the number of shares as adjusted to reflect changes in capital have been retroactively adjusted for all periods presented to reflect the reverse stock split.

Table of Contents**Summary Historical TSD Financial Data**

	At or for the nine months ended			At or for the year ended December 31,			
	September 30,						
	2005	2005	2004	2004	2004	2003	2002
(U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)		(U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)			
Income Statement Data:							
<i>Brazilian GAAP</i>							
Net operating revenue	677.4	1,505.3	1,408.1	867.2	1,927.0	1,892.5	1,847.6
Cost of services and goods sold	(349.8)	(777.4)	(761.8)	(500.6)	(1,112.4)	(1,052.5)	(981.7)
Gross profit	327.6	727.9	646.3	366.6	814.6	840.0	865.9
Operating expenses:							
Selling expenses	(208.0)	(462.2)	(360.0)	(228.8)	(508.5)	(387.5)	(392.5)
General and administrative expenses	(66.8)	(148.4)	(150.1)	(84.5)	(187.8)	(224.4)	(229.9)
Other net operating income (expenses)	(2.8)	(6.3)	(6.0)	7.6	17.0	13.3	(17.0)
Operating income before net financial income (expenses)	50.0	111.0	130.2	60.9	135.3	241.4	226.5
Net financial income (expenses)	6.5	14.6	7.0	2.6	5.7	(15.0)	(15.1)
Operating income	56.5	125.6	137.2	63.5	141.0	226.4	211.4
Net nonoperating expenses	0.4	0.8	(0.1)			(8.6)	(1.2)
Income before income taxes	56.9	126.4	137.1	63.5	141.0	217.8	210.2
Income and social contribution taxes	(21.8)	(48.4)	(52.5)	(21.6)	(48.1)	(61.6)	(69.8)
Net income	35.1	78.0	84.6	41.9	92.9	156.2	140.4
Net income per share(3)	0.38204	0.84897	0.00019	0.09662	0.2147	0.36	0.34
Dividends declared per common share(2)				0.02070	0.046	0.081	0.232
Dividends declared per preferred share(2)				0.02295	0.051	0.089	0.255
<i>U.S. GAAP</i>							
Net income	26.8	59.6	26.1	6.2	13.7	116.8	4.0
Net income (loss) before cumulative effect of adoption of accounting principle per thousand shares(3)							
Common shares basic	0.28	0.62	0.28	0.068	0.15	1.30	
Common shares diluted	0.26	0.57	0.26	0.045	0.10	1.15	
Weighted average number of common Shares outstanding basic	38,362,708	38,362,708	37,395,836	37,613,462	37,613,462	33,675,048	29,688,629
Weighted average number of Common Shares outstanding diluted	48,212,179	48,212,179	44,519,513	46,175,357	46,175,357	45,500,387	44,459,559
Preferred shares basic	0.31	0.69	0.30	0.068	0.15	1.40	0.05
Preferred shares diluted	0.28	0.62	0.28	0.068	0.15	1.25	0.05
Weighted average number of Preferred Shares outstanding basic and diluted	51,915,007	51,915,007	51,915,007	51,915,007	51,915,007	51,915,007	51,915,007
Cash Flow Data:							
<i>Brazilian GAAP</i>							
Cash flows from operating activities	129.8	214.4	277.7	196.7	437.2	737.4	756.9
Cash flows from investing activities	(87.1)	(193.6)	(126.3)	(108.4)	(240.8)	(255.6)	(370.5)
Cash flows from financing activities	(44.6)	(25.0)	(163.2)	(101.2)	(224.9)	(208.7)	(362.8)
Increase (decrease) in cash and cash equivalents	(1.9)	(4.2)	(11.8)	(12.9)	(28.5)	273.1	23.6
Cash and cash equivalents at beginning of year	159.3	353.9	382.5	172.1	382.5	109.4	85.8
Cash and cash equivalents at end of year	157.4	349.7	370.7	159.2	354.0	382.5	109.4

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	At or for the nine months		At or for the year ended December 31,			
	ended September 30,		2004		2003	2002
	2005	2005	2004	2004	2003	2002
	(R\$ millions, except per share data)(1)	(R\$ millions, except per share data)	(U.S.\$ millions, except per share data)(1)	(U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)(1)	(R\$ millions, except per share data)(1)
Balance Sheet Data:						
<i>Brazilian GAAP</i>						
Property, plant and equipment, net	524.0	1,164.4	568.6	1,263.6	1,398.0	1,585.1
Total assets	1,254.0	2,786.7	1,304.6	2,899.1	2,824.7	2,793.8
Loans and financing current portion	7.0	15.6	22.6	50.3	165.8	200.9
Loans and financing non current portion					53.2	259.6
Net assets	921.9	2,048.7	886.8	1,970.7	1,903.4	1,779.7
Capital stock	417.6	927.9	401.2	891.5	778.8	685.3
Number of shares as adjusted to reflect changes in capital (in thousands)(3)	91,831	91,831	449,009,994	449,009,994	432,598,218	414,006,458
<i>U.S. GAAP</i>						
Property, plant and equipment, net	529.9	1,177.6	576.8	1,281.9	1,258.3	1,511.2
Total assets	1,263.6	2,807.9	1,329.1	2,953.5	2,960.9	2,996.7
Loans and financing current portion	7.0	15.6	22.6	50.3	165.8	200.9
Loans and financing non current portion					53.2	259.6
Net assets	921.8	2,048.4	896.1	1,991.3	2,001.7	1,921.3
Number of shares as adjusted to reflect changes in capital (in thousands)(3)	91,831	91,831	89,802	89,802	86,520	82,801

(1) Translated for convenience only using the PTAX selling rate for U.S. dollars as reported by the Central Bank on September 30, 2005.

(2) Interest on shareholders' equity is included as part of dividends and is presented net of taxes.

(3) On April 1, 2005, TSD's shareholders approved a 5,000 for one reverse stock split of TSD's common and preferred shares. Under Brazilian GAAP, reverse stock splits are not reflected retroactively. Had the reverse stock split been reflected retroactively, income per share as adjusted to reflect changes in capital for the years ended December 31, 2004, 2003, 2002 and the nine months ended September 30, 2004 would have amounted to R\$1.034, R\$1.805, R\$1.696 and R\$0.942, respectively, and the number of shares as adjusted to reflect changes in capital for the years ended December 31, 2004, 2003, 2002 and the nine months ended September 30, 2004 would have amounted to 89,802, 86,520, 82,801 and 89,802 (in thousands of shares), respectively. Under U.S. GAAP, basic and diluted net income per common and preferred and the number of shares as adjusted to reflect changes in capital have been retroactively adjusted for all periods presented to reflect the reverse stock split.

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	At or for the nine months ended			At or for the year ended December 31,			
	September 30,						
	2005	2005	2004	2004	2004	2003	2002
(U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)		(U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)			
Income Statement Data:							
<i>Brazilian GAAP</i>							
Net operating revenue	401.6	892.4	852.4	528.4	1,174.3	1,032.7	896.3
Cost of services and goods sold	(189.1)	(420.3)	(438.7)	(279.2)	(620.5)	(526.2)	(456.6)
Gross profit	212.5	472.1	413.7	249.2	553.8	506.5	439.7
Operating expenses:							
Selling expenses	(121.7)	(270.5)	(183.0)	(119.2)	(264.9)	(171.3)	(168.3)
General and administrative expenses	(34.4)	(76.5)	(71.6)	(43.0)	(95.6)	(89.3)	(83.1)
Other net operating income (expenses)	3.4	7.8	18.7	12.3	27.3	(3.9)	18.3
Operating income before net financial income (expenses)	59.8	132.9	177.8	99.3	220.6	242.0	206.6
Net financial income (expenses)	14.9	33.2	28.0	11.6	25.8	17.7	7.5
Operating income	74.7	166.1	205.8	110.9	246.4	259.7	214.1
Net nonoperating expenses	(1.0)	(2.3)	(3.2)	(3.5)	(7.7)	(1.2)	(3.7)
Income before income taxes	73.7	163.8	202.6	107.4	238.7	258.5	210.4
Income and social contribution taxes	(26.7)	(59.4)	(70.7)	(25.5)	(56.7)	(69.1)	(62.8)
Net income	47.0	104.4	131.9	81.9	182.0	189.4	147.6
Net income per share(3)	1.4	3.2	0.042	0.03	0.06	0.06	0.05
Dividends declared per common share(2)				10.1	22.46	14.24	11.38
Dividends declared per preferred share(2)				11.1	24.70	15.66	12.52
<i>U.S. GAAP</i>							
Net income	47.5	105.6	123.0	76.1	169.0	283.3	52.8
Net income per thousand shares(3)							
Common shares basic	1.40	3.13	3.69	2.30	5.08	8.73	1.71
Common shares diluted	1.02	2.27	2.87	1.70	3.70	6.46	1.04
Weighted average number of common shares outstanding basic	13,727,168	13,727,168	13,278,320	13,336,348	13,336,348	12,507,868	11,285,041
Weighted average number of common shares outstanding diluted	26,394,416	26,394,416	22,801,747	25,702,368	25,702,367	23,868,997	30,884,109
Preferred shares basic	1.55	3.44	4.06	2.50	5.56	9.57	1.84
Preferred shares diluted	1.13	2.50	3.16	1.83	4.07	7.10	1.14
Weighted average number of outstanding basic and diluted shares	18,202,337	18,202,337	18,201,880	18,201,880	18,201,880	18,201,880	18,201,880
Cash Flow Data:							
<i>Brazilian GAAP</i>							
Cash flows from operating activities	85.3	189.6	257.6	161.0	368.7	464.7	363.6
Cash flows from investing activities	73.5	(163.4)	(106.9)	(92.0)	(204.4)	(142.9)	(112.5)
Cash flows from financing activities	44.9	(99.7)	(58.7)	(66.1)	(157.7)	(140.9)	(91.5)

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	At or for the nine months ended September 30,		At or for the year ended December 31,			
	2005	2005	2004	2004	2003	2002
	(U.S.\$ millions, except per share data)(1)	(R\$ millions, except per share data)	(U.S.\$ millions, except per share data)(1)	(R\$ millions except per share data)		
Balance Sheet Data:						
<i>Brazilian GAAP</i>						
Property, plant and equipment, net	334.1	742.4	334.4	743.1	734.9	786.3
Total assets	814.7	1,810.5	865.0	1,922.1	1,739.5	1,678.7
Loans and financing current portion	3.3	7.3	48.9	108.7	105.1	140.9
Loans and financing non-current portion	60.0	133.3	71.7	159.3	288.5	476.5
Net assets	550.9	1,224.2	477.7	1,061.6	954.9	817.7
Capital stock	147.4	327.5	115.8	257.3	157.9	134.5
Number of shares as adjusted to reflect changes in capital (in thousands)(3)	32,642	32,642	3,171,151	3,171,151	3,100,825	2,979,769
<i>U.S. GAAP</i>						
Property, plant and equipment, net	340.7	757.2	339.0	753.3	743.1	797.4
Total assets	819.8	1,821.7	869.9	1,933.1	1,764.6	1,681.0
Loans and financing current portion	3.3	7.4	48.9	108.7	105.1	140.9
Loans and financing non-current portion	60.0	133.3	159.3	71.7	288.5	476.5
Net assets	553.0	1,228.9	479.3	1,065.2	971.5	742.0
Number of shares as adjusted to reflect changes in capital (in thousands)(3)	32,642	32,642	31,712	31,712	31,008	29,798

- (1) Translated for convenience only using the PTAX selling rate for U.S. dollars as reported by the Central Bank on September 30, 2005.
- (2) Interest on shareholders' equity is included as part of dividends and is presented net of taxes.
- (3) On March 30, 2005, CRT's shareholders approved a 100 for one reverse stock split of Celular CRT's common and preferred shares. Under Brazilian GAAP, reverse stock splits are not reflected retroactively. Had the reverse stock split been reflected retroactively, income per share as adjusted to reflect changes in capital for the years ended December 31, 2004, 2003, 2002 and the nine months ended September 30, 2004 would have amounted to R\$5.739, R\$6.108, R\$4.953 and R\$4.159, respectively, and the number of shares as adjusted to reflect changes in capital for the years ended December 31, 2004, 2003 and 2002 and the nine months ended September 30, 2004 would have amounted to 31,712, 31,008, 29,798 and 31,712 (in thousands of shares), respectively. Under U.S. GAAP, basic and diluted net income per share common and preferred and the number of shares as adjusted to reflect changes in capital have been retroactively adjusted for all periods presented to reflect the reverse stock split.

Table of Contents**Summary of Unaudited Pro Forma Combined Financial Data**

	Pro forma(1)				
	At and for the nine months				
	ended September 30,		At and for the year ended December 31,		
	2005	2005	2004	2004	2003
(U.S.\$ millions, except per share data(2))	(R\$ millions, except per share data)	(U.S.\$ millions, except per share data(2))	(R\$ millions, except per share data)	(R\$ millions, except per share data)	
(Unaudited)					
Income Statement Data:					
<i>Brazilian GAAP</i>					
Net operating revenue	3,738.7	8,308.1	4,918.3	10,929.3	9,393.5
Cost of services and goods sold	(1,759.8)	(3,910.7)	(2,407.7)	(5,350.3)	(4,836.1)
Gross profit	1,978.9	4,397.4	2,510.6	5,579.0	4,557.4
Operating expenses:					
Selling expenses	(1,199.4)	(2,665.4)	(1,267.6)	(2,816.9)	(1,968.7)
General and administrative expenses	(325.3)	(722.8)	(439.3)	(976.1)	(924.4)
Other net operating expenses	(130.6)	(290.2)	(84.6)	(187.9)	(138.7)
Operating income before equity in losses of unconsolidated subsidiary and net financial expenses	323.6	719.0	719.1	1,598.1	1,525.6
Net financial expenses	(306.3)	(680.8)	(489.8)	(1,088.6)	(1,161.1)
Operating income (loss)	17.3	38.2	229.3	509.5	364.5
Net non-operating expenses	4.8	10.7	(27.4)	(60.9)	(36.1)
Income (loss) before income taxes, minority interests and extraordinary item	22.1	48.9	201.9	448.6	328.4
Income taxes	(170.9)	(379.6)	(197.3)	(438.5)	(407.8)
Minority interests					(257.7)
Net income (loss)	(148.8)	(330.7)	4.6	10.1	(337.1)
Net income (loss) per share	(0.10)	(0.23)	0.01	0.01	(0.39)
<i>U.S. GAAP</i>					
Net income (loss)	(192.9)	(428.7)	(217.4)	(483.0)	248.8
Basic net income (loss) per share outstanding (<i>reais</i>)	(0.14)	(0.31)	(0.18)	(0.39)	0.29
Diluted net income (loss) per share outstanding (<i>reais</i>)	(0.14)	(0.31)	(0.18)	(0.39)	0.24
Balance Sheet Data:					
<i>Brazilian GAAP</i>					
Property, plant and equipment, net	3,600.9	8,001.9			
Total assets	8,534.4	18,965.2			
Loans and financing	2,416.3	5,369.5			
Net assets	4,039.9	8,977.4			
Capital stock	4,185.6	9,301.2			
Number of shares as adjusted to reflect changes in capital	1,426,412	1,426,412			
<i>U.S. GAAP</i>					
Shareholders' equity (in thousands)	5,885.9	13,079.6			

- (1) The unaudited pro forma combined statements of loss for the nine-month period ended September 30, 2005 and the years ended December 31, 2004 and 2003 combine the historical consolidated statements of income of TCP, TLE, TSD and Celular CRT, giving effect to (1) the merger with respect to the proportionate interest in the Targets under common control as if it had been consummated on December 27, 2002 and (2) the acquisitions of the minority interests in TCO, TLE, TSD and Celular CRT as if they had occurred on January 1, 2004. The

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unaudited pro forma combined balance sheet as of September 30, 2005 combines the historical consolidated balance sheets of TCP, TLE, TSD and Celular CRT, giving effect to (1) the merger with respect to the proportionate interest in the Targets under common control as if it had been consummated on December 27, 2002, the date these companies came under common control, and (2) the acquisitions of the minority interests in TCO, TLE, TSD and Celular CRT as if they had occurred on September 30, 2005.

(2) Translated for convenience only using the PTAX selling rate for U.S. dollars as reported by the Central Bank on September 30, 2005.

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Summary Comparative Per Share Data

We present below book value, cash dividend and income (loss) from continuing operations per share data on both a historical basis and an unaudited pro forma combined basis under Brazilian GAAP and U.S. GAAP.

We have derived the unaudited pro forma combined information appearing below from the unaudited pro forma combined financial data appearing elsewhere in this prospectus.

You should read the information below together with the historical and pro forma financial data of TCP and the historical financial statements of TCO, TLE, TSD and Celular CRT appearing elsewhere in this prospectus. The unaudited pro forma combined financial data appearing below is for illustrative purposes only. TCP, TCO, TLE, TSD and Celular CRT may have performed differently had they always been a combined entity. You should not rely on this information as being indicative of the actual results of that the combined businesses of these companies will experience after the merger.

For more information about historical dividend payments by TCP, TCO, TLE, TSD and Celular CRT, see Part Six: Shareholder Rights Information About Historical Dividend Payments.

Brazilian GAAP

Year ended December 31, 2003																
(Historical)							(Pro Forma)									
TCP	TCO	TLE	TSD	Celular CRT	New TCP		TCO Per Share Equivalent (1)	TLE Per Share Equivalent (1)	TSD Per Share Equivalent (1)	Celular CRT Per Share Equivalent (1)						
(Reais)																
Cash dividends declared per thousand common shares(2)								0.30	0.09	14.24	(3)					
Cash dividends declared per thousand preferred shares(2)								0.30	0.08	15.66	(3)					
Income (loss) from continuing operations per thousand shares (common/ preferred)							(0.55)	1.24	(0.09)	0.36	61.07	(0.39)(3)	(1.20)	(1.52)	(1.28)	(2.74)

- (1) The TCO, TLE, TSD and Celular CRT per share equivalent data are calculated by multiplying the New TCP pro forma per share amounts by 3.0830, 3.8998, 3.2879 and 7.0294, respectively, representing the number of TCP common shares or preferred shares that will be received for each TCO, TLE, TSD and Celular CRT common share or preferred share, respectively, in the merger, assuming that none of the applicable entitled shareholders of TCP, TCO, TLE, TSD or Celular CRT exercises appraisal rights.

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- (2) Interest on shareholders' equity is included and is presented net of taxes. After the pro forma adjustments described in Part Five: The Merger Unaudited Pro Forma Combined Financial Data, pro forma net income of TCP and TLE under Brazilian GAAP were negative for the period. Therefore, no dividends would have been payable on a pro forma basis for the period.
- (3) Gives effect to the merger with respect to the proportionate interest in TLE, TSD and Celular CRT under common control with TCP as if the merger had been consummated on December 27, 2002. The unaudited pro forma combined financial data were prepared for illustrative purposes only.

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Year ended December 31, 2004

	(Historical)					(Pro Forma)				
	TCP	TCO	TLE	TSD	Celular CRT	New TCP	TCO Per Share Equivalent (1)	TLE Per Share Equivalent (1)	TSD Per Share Equivalent (1)	Celular CRT Per Share Equivalent (1)
	<i>(Reais)</i>									
Book value per thousand shares (common/preferred)	2.48	6.41	0.78	4.39	334.77	5.89(2)	18.16	22.97	19.37	41.40
Cash dividends declared per thousand common shares(3)		0.32		0.05	22.46	(4)				
Cash dividends declared per thousand preferred shares(3)		0.32		0.05	24.70	(4)				
Income (loss) from continuing operations per thousand shares (common/ preferred)	(0.42)	1.33	(0.06)	0.21	57.39	0.01(4)	0.03	0.04	0.03	0.07

- (1) The TCO, TLE, TSD and Celular CRT per share equivalent data are calculated by multiplying the New TCP pro forma per share amounts by 3.0830, 3.8998, 3.2879 and 7.0294, respectively, representing the number of TCP common shares or preferred shares that will be received for each TCO, TLE, TSD and Celular CRT common share or preferred share, respectively, in the merger, assuming that none of the applicable entitled shareholders of TCP, TCO, TLE, TSD or Celular CRT exercises appraisal rights.
- (2) Gives effect to (1) the merger with respect to the proportionate interest in TLE, TSD and Celular CRT under common control with TCP as if the merger had been consummated on December 27, 2002, the date these companies came under common control, and (2) the acquisitions of minority interests in TCO, TLE, TSD and Celular CRT as if they had occurred on December 31, 2004. The unaudited pro forma combined financial data were prepared for illustrative purposes only.
- (3) Interest on shareholders' equity is included and is presented net of taxes. After the pro forma adjustments described in Part Five: The Merger Unaudited Pro Forma Combined Financial Data, pro forma net income of TCP and TLE under Brazilian GAAP were negative for the period. Therefore, no dividends would have been payable on a pro forma basis for the period.
- (4) Gives effect to (1) the merger with respect to the proportionate interest in TLE, TSD and Celular CRT under common control with TCP as if the merger had been consummated on December 27, 2002 and (2) the acquisitions of the minority interests as if they had occurred on January 1, 2004. The unaudited pro forma combined financial data were prepared for illustrative purposes only.

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Nine months ended September 30, 2005(1)

	(Historical)					(Pro Forma)				
	TCP	TCO	TLE	TSD	Celular CRT	New TCP	TCO	TLE	TSD	Celular CRT
							Per Share Equivalent (2)	Per Share Equivalent (2)	Per Share Equivalent (2)	Per Share Equivalent (2)
	<i>(Reais)</i>									
Book value per share (common/preferred)	6.52	21.80	33.18	22.31	37.50	6.29(3)	19.40	24.54	20.69	44.24
Income (loss) from continuing operations per thousand shares (common/preferred)	(0.89)	2.12	(5.65)	0.85	3.20	(0.23)(4)	(0.71)	(0.90)	(0.76)	(1.63)

- (1) No dividends or interest on shareholders' equity were declared in the period.
- (2) The TCO, TLE, TSD and Celular CRT per share equivalent data are calculated by multiplying the New TCP pro forma per share amounts by 3.0830, 3.8998, 3.2879 and 7.0294, respectively, representing the number of TCP common shares or preferred shares that will be received for each TCO, TLE, TSD and Celular CRT common share or preferred share, respectively, in the merger, assuming that none of the applicable entitled shareholders of TCP, TCO, TLE, TSD or Celular CRT exercises appraisal rights.
- (3) Gives effect to (1) the merger with respect to the proportionate interest in TLE, TSD and Celular CRT under common control with TCP as if the merger had been consummated on December 27, 2002, the date these companies came under common control, and (2) the acquisitions of minority interests in TCO, TLE, TSD and Celular CRT as if they had occurred on September 30, 2005. The unaudited pro forma combined financial data were prepared for illustrative purposes only.
- (4) Gives effect to (1) the merger with respect to the proportionate interest in TLE, TSD and Celular CRT under common control with TCP as if the merger had been consummated on December 27, 2002 and (2) the acquisitions of the minority interests as if they had occurred on January 1, 2004. The unaudited pro forma combined financial data were prepared for illustrative purposes only.

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Year ended December 31, 2003(1)

	(Historical)					(Pro Forma)				
	TCP	TCO	TLE	TSD	Celular CRT	New TCP	TCO Per Share Equivalent (2)	TLE Per Share Equivalent (2)	TSD Per Share Equivalent (2)	Celular CRT Per Share Equivalent (2)
	(Reais)									
Cash dividends declared per thousand common shares(3)		0.90		0.45	1.78	(4)				
Cash dividends declared per thousand preferred shares(3)		0.90		0.41	1.92	(4)				
Income (loss) from continuing operations per share (basic common)	(0.20)	3.93	(0.50)	1.30	8.73	0.29(4)	0.89	1.12	0.95	2.02
Income (loss) from continuing operations per share (basic preferred)	(0.20)	3.93	(0.50)	1.40	9.57	0.29(4)	0.89	1.12	0.95	2.02
Income (loss) from continuing operations per share (diluted common)	(0.20)	3.87	(0.50)	1.15	6.46	0.24(4)	0.74	0.94	0.79	1.69
Income (loss) from continuing operations per share (diluted preferred)	(0.20)	3.90	(0.50)	1.25	7.10	0.24(4)	0.74	0.94	0.79	1.69

- (1) In 2005, the shareholders of each of TCO, TLE, TSD and Celular CRT effected a reverse stock split of their common and preferred shares. Amounts in this table are adjusted to reflect such reverse stock splits.
- (2) The TCO, TLE, TSD and Celular CRT per share equivalent data are calculated by multiplying the New TCP pro forma per share amounts by 3.0830, 3.8998, 3.2879 and 7.0294, respectively, representing the number of TCP common shares or preferred shares that will be received for each TCO, TLE, TSD and Celular CRT common share or preferred share, respectively, in the merger, assuming that none of the applicable entitled shareholders of TCP, TCO, TLE, TSD or Celular CRT exercises appraisal rights.
- (3) Interest on shareholders' equity is included and is presented net of taxes. Historical cash dividends and interest on shareholders' equity declared for purposes of U.S. GAAP for TCO, TLE, TSD and Celular CRT are the same as presented above under Brazilian GAAP because each of TCO, TLE, TSD and Celular CRT pays dividends only based on its results in accordance with the Brazilian corporation law. After the pro forma adjustments described in Part Five: The Merger Unaudited Pro Forma Combined Financial Data, pro forma net income of TCP and TLE under Brazilian GAAP were negative for the period. Therefore, no dividends would have been payable on a pro forma basis for the period.
- (4) Gives effect to the merger with respect to the proportionate interest in TLE, TSD and Celular CRT under common control with TCP as if the merger had been consummated on December 27, 2002. The unaudited pro forma combined financial data were prepared for illustrative purposes only.

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Year ended December 31, 2004(1)

	(Historical)			(Pro Forma)						
	TCP	TCO	TLE	TSD	Celular CRT	New TCP	TCO Per Share Equivalent (2)	TLE Per Share Equivalent (2)	TSD Per Share Equivalent (2)	Celular CRT Per Share Equivalent (2)
	<i>(Reais)</i>									
Book value per thousand shares (common/preferred)	5.84	19.64	40.12	22.17	33.59	9.12(3)	28.12	35.57	29.99	64.11
Cash dividends declared per thousand common shares(4)		0.96		2.30	2.27	(5)				
Cash dividends declared per thousand preferred shares(4)		0.96		2.55	2.47	(5)				
Income (loss) from continuing operations per share (basic common)	(1.08)	3.72	(5.00)	0.15	5.08	(0.39)(5)	(1.21)	(1.53)	(1.29)	(2.75)
Income (loss) from continuing operations per share (basic preferred)	(1.08)	3.72	(5.00)	0.15	5.56	(0.39)(5)	(1.21)	(1.53)	(1.29)	(2.75)
Income (loss) from continuing operations per share (diluted common)	(1.08)	3.27	(5.00)	0.10	3.70	(0.39)(5)	(1.21)	(1.53)	(1.29)	(2.75)
Income (loss) from continuing operations per share (diluted preferred)	(1.08)	3.39	(5.00)	0.15	4.07	(0.39)(5)	(1.21)	(1.53)	(1.29)	(2.75)

- (1) In 2005, the shareholders of each of TCO, TLE, TSD and Celular CRT effected a reverse stock split of their common and preferred shares. Amounts in this table are adjusted to reflect such reverse stock splits.
- (2) The TCO, TLE, TSD and Celular CRT per share equivalent data are calculated by multiplying the New TCP pro forma per share amounts by 3.0830, 3.8998, 3.2879 and 7.0294, respectively, representing the number of TCP common shares or preferred shares that will be received for each TCO, TLE, TSD and Celular CRT common share or preferred share, respectively, in the merger, assuming that none of the applicable entitled shareholders of TCP, TCO, TLE, TSD or Celular CRT exercises appraisal rights.
- (3) Gives effect to (1) the merger with respect to the proportionate interest in TLE, TSD and Celular CRT under common control with TCP as if the merger had been consummated on December 27, 2002, the date these companies came under common control, and (2) the acquisitions of the minority interests in TCO, TLE, TSD and Celular CRT as if they had occurred on December 31, 2004. The unaudited pro forma combined financial data were prepared for illustrative purposes only.
- (4) Interest on shareholders' equity is included and is presented net of taxes. Historical cash dividends and interest on shareholders' equity declared for purposes of U.S. GAAP for TCO, TLE, TSD and Celular CRT are the same as presented above under Brazilian GAAP because each of TCO, TLE, TSD and Celular CRT pays dividends only based on its results in accordance with the Brazilian corporation law. After the pro forma adjustments described in Part Five: The Merger Unaudited Pro Forma Combined Financial Data, pro forma net income of TCP and TLE under Brazilian GAAP were negative for the period. Therefore, no dividends would have been payable on a pro forma basis for the period.
- (5) Gives effect to (1) the merger with respect to the proportionate interest in TLE, TSD and Celular CRT under common control with TCP as if the merger had been consummated on December 27, 2002 and (2) the acquisitions of the minority interests as if they had occurred on January 1, 2004. The unaudited pro forma combined financial data were prepared for illustrative purposes only.

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Nine months ended September 30, 2005(1)

	(Historical)				(Pro Forma)					
	TCP	TCO	TLE	TSD	Celular CRT	New TCP	TCO Per Share Equivalent (2)	TLE Per Share Equivalent (2)	TSD Per Share Equivalent (2)	Celular CRT Per Share Equivalent (2)
	<i>(Reais)</i>									
Book value per share (common/preferred)	6.57	21.98	33.78	22.31	37.65	9.17(3)	28.27	35.76	30.15	64.46
Income (loss) from continuing operations per share (basic common)	(0.61)	2.20	(6.22)	0.62	3.13	(0.31)(4)	(0.94)	(1.19)	(1.01)	(2.15)
Income (loss) from continuing operations per share (diluted common)	(0.61)	1.80	(6.22)	0.57	2.27	(0.31)(4)	(0.94)	(1.19)	(1.01)	(2.15)
Income (loss) from continuing operations per share (basic preferred)	(0.61)	2.21	(6.22)	0.69	3.44	(0.31)(4)	(0.94)	(1.19)	(1.01)	(2.15)
Income (loss) from continuing operations per share (diluted common)	(0.61)	1.80	(6.22)	0.62	2.50	(0.31)(4)	(0.94)	(1.19)	(1.01)	(2.15)

- (1) No dividends or interests on shareholders' equity were declared in the period.
- (2) The TCO, TLE, TSD and Celular CRT per share equivalent data are calculated by multiplying the New TCP pro forma per share amounts by 3.0830, 3.8998, 3.2879 and 7.0294, respectively, representing the number of TCP common shares or preferred shares that will be received for each TCO, TLE, TSD and Celular CRT common share or preferred share, respectively, in the merger, assuming that none of the applicable entitled shareholders of TCP, TCO, TLE, TSD or Celular CRT exercises appraisal rights.
- (3) Gives effect to (1) the merger with respect to the proportionate interest in TLE, TSD and Celular CRT under common control with TCP as if the merger had been consummated on December 27, 2002, the date these companies came under common control, and (2) the acquisitions of minority interests in TCO, TLE, TSD and Celular CRT as if they had occurred on September 30, 2005. The unaudited pro forma combined financial data were prepared for illustrative purposes only.
- (4) Gives effect to (1) the merger with respect to the proportionate interest in TLE, TSD and Celular CRT under common control with TCP as if the merger had been consummated on December 27, 2002 and (2) the acquisitions of the minority interests as if they had occurred on January 1, 2004. The unaudited pro forma combined financial data were prepared for illustrative purposes only.

Table of Contents**Exchange Rates*****Brazilian Central Bank Rates***

The following tables set forth information regarding the *real*/U.S. dollar exchange rate for the periods indicated. The Central Bank allows the *real*/U.S. dollar exchange rate to float freely but has sometimes intervened to control unstable fluctuations in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to let the *real* float freely or will intervene in the exchange rate market through a currency band system or otherwise. The *real* may depreciate or appreciate against the U.S. dollar substantially in the future. For more information on these risks, see Risk Factors Risks Relating to Brazil Brazilian government exchange control policies could adversely affect our ability to make payments on foreign currency-denominated debt and Fluctuations in the value of the *real* against the U.S. dollar may adversely affect our ability to pay U.S. dollar-denominated or U.S. dollar-linked obligations and could lower the market value of our common shares, preferred shares and ADSs.

Before March 4, 2005, there were two legal foreign exchange markets in Brazil, the commercial rate exchange market and the floating rate exchange market. Although these markets were used for different purposes, the exchange rates in those markets were generally the same or very similar. On March 4, 2005, the National Monetary Counsel (*Conselho Monetário Nacional*) unified the two markets. For periods prior to March 4, 2005, the tables below reflect the selling rate in the commercial rate exchange market.

On December 12, 2005, the selling rate was R\$2.2634 per U.S.\$1.00.

	Exchange rate of R\$ per U.S.\$			
	Low	High	Average(1)	Period End
Year ended December 31, 2000	1.7234	1.9847	1.8295	1.9554
Year ended December 31, 2001	1.9357	2.8007	2.3522	2.3204
Year ended December 31, 2002	2.2709	3.9552	2.9309	3.5333
Year ended December 31, 2003	2.8219	3.6623	3.0715	2.8892
Year ended December 31, 2004	2.6544	3.2051	2.9171	2.6544
Nine months ended September 30, 2005	2.2222	2.7621	2.4402	2.2222

Source: U.S. dollar selling rate as published by the Central Bank on its electronic information system, SISBACEN, using transaction PTAX 800, Option 5.

(1) Represents the average of the exchange rates on the last day of each month during the relevant period.

Month ended	Exchange rate of	
	R\$ per U.S.\$	
	Low	High

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June 2005	2.3504	2.4891
July 2005	2.3304	2.4656
August 2005	2.2767	2.4316
September 2005	2.2222	2.3623
October 2005	2.2339	2.2886
November 2005	2.1633	2.2516
December 2005 (through December 12, 2005)	2.1800	2.2634

Source: U.S. dollar selling rate as published by the Central Bank on its electronic information system, SISBACEN, using transaction PTAX 800 Option 5.

Table of Contents**Federal Reserve Bank of New York Rates**

The following tables show, for the periods indicated, certain information regarding the *real*/U.S. dollar exchange rate, based on the noon buying rate of the Federal Reserve Bank of New York. At December 12, 2005, the noon buying rate was R\$2.2590 to U.S.\$1.00.

	Exchange Rate of R\$ per U.S.\$			
	Low	High	Average(1)	Period End
Year ended December 31, 2000	1.7230	1.9840	1.8350	1.9510
Year ended December 31, 2001	1.9380	2.7880	2.3530	2.3120
Year ended December 31, 2002	2.2650	3.9450	2.9945	3.5400
Year ended December 31, 2003	3.6640	2.8270	3.0584	2.8950
Year ended December 31, 2004	3.2085	2.6510	2.9146	2.6550
Nine months ended September 30, 2005	2.2125	2.7755	2.4572	2.2125

Source: Federal Reserve Bank of New York

(1) Average of the noon buying rate on the last day of each month in the period.

Month ended	Exchange rate of R\$ per U.S.\$	
	Low	High
June 2005	2.3493	2.4887
July 2005	2.3265	2.4430
August 2005	2.2745	2.4500
September 2005	2.2125	2.3645
October 2005	2.2295	2.2868
November 2005	2.1688	2.2546
December 2005 (through December 12, 2005)	2.1695	2.2590

Source: Federal Reserve Bank of New York

Historical and Pro Forma Share Information

The following table shows the closing prices of the common shares, preferred shares and ADSs of TCP, TCO, TLE, TSD and Celular CRT, as well as the equivalent value of TCO, TLE, TSD and Celular CRT common shares and preferred shares and TCO, TLE and TSD ADSs based on the merger ratio, as of December 2, 2005, the trading day preceding public announcement of this transaction.

December 2, 2005								
(Actual)	(Actual)				(Per share equivalent)			
TCP	TCO	TLE	TSD	Celular CRT	TCO	TLE	TSD	Celular CRT

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Common shares(1) (<i>reais</i>)	8.50	25.50	15.90	18.77	42.00	26.21	33.15	27.95	59.75
Preferred shares(2) (<i>reais</i>)	9.20	24.50	17.30	19.50	57.00	28.36	35.88	30.25	64.67
ADS(3) (U.S.\$)	4.14	11.09	7.80	8.83		12.76	13.61	16.15	

Source: São Paulo Stock Exchange; Bloomberg.

- (1) The TCO, TLE, TSD and Celular CRT common share per share equivalent data are calculated by multiplying the TCP actual amounts by 3.0830, 3.8998, 3.2879 and 7.0294, the number of TCP common shares that will be received for each TCO, TLE, TSD and Celular CRT common share, respectively, in the merger.
- (2) The TCO, TLE, TSD and Celular CRT preferred share per share equivalent data are calculated by multiplying the TCP actual amounts by 3.0830, 3.8998, 3.2879 and 7.0294, the number of TCP preferred shares that will be received for each TCO, TLE, TSD and Celular CRT preferred share, respectively, in the merger.
- (3) The TCO, TLE and TSD ADS per share equivalent data are calculated by multiplying the TCP actual amounts by 3.0830, 3.8998 and 3.2879, the number of TCP common shares that will be received for each TCO, TLE and TSD ADS, respectively, in the merger.

We urge you to obtain current market quotations.

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PART THREE RISK FACTORS

Risks Relating to the Merger

We may have actual or potential conflicts of interest relating to the merger.

We may have actual or potential conflicts of interest because our controlling shareholders exercise voting control over the board of directors of each of TCO, TLE, TSD and Celular CRT. We have not negotiated the terms of this merger with any person acting on behalf of the minority shareholders of TCO, TLE, TSD or Celular CRT.

The TCP securities you receive in the merger will represent an investment in a fundamentally different business from that in which you originally invested.

You will receive TCP common shares or TCP preferred shares, or TCP ADSs, for your common shares or preferred shares of TCO, TLE, TSD or Celular CRT, or your ADSs of TCO, TLE or TSD, respectively, in the merger. TCO, TLE, TSD and Celular CRT will all combine with TCP pursuant to separate mergers. This combined entity, which will be renamed Vivo Participações S.A. will operate in states where TCO, TLE, TSD or Celular CRT, as the case may be, does not conduct business.

Because we are a larger company than any of TCO, TLE, TSD and Celular CRT, and the combined Vivo Participações S.A. will be even larger, your ownership percentage in our company will, as a result of the merger, be less than from your ownership percentage in TCO, TLE, TSD or Celular CRT.

You should be aware that because we are a larger company than any of TCO, TLE, TSD and Celular CRT and the combined Vivo Participações S.A. will be even larger, your ownership percentage of our company will be different from the one you have as a shareholder of TCO, TLE, TSD or Celular CRT. Assuming that none of the common shareholders of TCP, TCO, TLE, TSD and Celular CRT, and none of the preferred shareholders of TCP and TSD exercises appraisal rights, former public shareholders of TCO, TLE, TSD and Celular CRT will hold approximately 13.40%, 1.30%, 1.91% and 5.04%, respectively, of the total capital stock of our company in the aggregate following the merger.

In addition, TCP is obligated to issue shares to its controlling shareholder for the amount of a tax benefit realized as a result of a corporate restructuring completed in 2000. TCP expects to issue new shares in respect of this tax benefit in each year until 2010. This issuance of shares may further dilute your holdings of TCP in the future if you do not exercise your preemptive rights (*direito de preferencia*) in the capital increase. See note 34 to TCP's audited consolidated financial statements as of December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 included in this prospectus.

As a result of the merger, TCP will assume the liabilities of TLE, TSD and Celular CRT and will assume all the risks relating to those liabilities.

You should be aware that because TCP will assume the liabilities of TLE, TSD and Celular CRT as a result of the merger of these Targets with TCP, any existing known or unknown financial obligation, legal liability or other contingent liability or risk of each of TLE, TSD and Celular CRT will become the responsibility of TCP. These liabilities could cause TCP to be required to make payments, incur charges or take other actions that could adversely affect TCP's financial position and results of operations and the price of TCP's securities. As a result, you should carefully consider the information about each of TLE, TSD and Celular CRT that is included in this prospectus, including, without limitation, the audited consolidated financial statements and the unaudited condensed consolidated interim financial statements of each company included in this prospectus and the information set forth in Item 3.D. Risk Factors in the Annual Reports on Form 20-F for the Fiscal Year Ended December 31, 2004 of TLE and TSD that are included in Annex A and B, respectively, of this prospectus.

We will be more leveraged than any of TCO, TLE, TSD or Celular CRT, and a significant portion of our cash flow will have to be used to service our obligations.

At September 30, 2005, TCP, TCO, TLE, TSD and Celular CRT had R\$5,369.5 million of consolidated total debt on a pro forma basis, only R\$140.7 million of which was attributable to TCO, R\$263.3 million to TLE, R\$15.6 million to TSD and R\$140.7 million to Celular CRT. We are subject to the risks normally associated with

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significant amounts of debt, which could have important consequences to you. Our indebtedness could, among other things:

require us to use a substantial portion of our cash flow from operations to pay our obligations, thereby reducing the availability of our cash flow to fund working capital, operations, capital expenditures, dividend payments, strategic acquisitions, expansion of our operations and other business activities;

increase our vulnerability to general adverse economic and industry conditions;

limit, along with financial and other restrictive covenants in our debt instruments, our ability to borrow additional funds or dispose of assets; and

place us at a competitive disadvantage compared to our competitors that have less debt.

We may also need to refinance all or a portion of our debt on or before maturity, and we may not be able to do this on commercially reasonable terms or at all.

We do not anticipate being able to pay dividends in 2005 and possibly in subsequent years.

TCP did not pay dividends in 2001, 2002, 2003 or 2004 because of losses incurred from our equity investment in Global Telecom in those years. We recorded a net loss of R\$591.6 million in the nine months ended September 2005, and we expect that we will record a net loss for the year ended December 31, 2005. If we record a net loss in 2005, we will not pay dividends for that year. We may also record net losses in subsequent years and be unable to pay dividends in those years. See Part Five: The Merger Unaudited Pro Forma Combined Financial Data.

You are being offered a fixed number of shares or ADSs, which involves the risk of market fluctuations.

You will receive a fixed number of shares or ADSs in the merger, rather than a number of shares or ADSs with a fixed market value. Consequently, the market values of our shares and ADSs, and of the shares and ADSs of TCO, TLE and TSD, and of the shares of Celular CRT may fluctuate significantly from the date of this prospectus to the date of completion of the mergers.

On December 2, 2005, the last trading day before announcement of the merger:

the last reported closing price on the São Paulo Stock Exchange for TCP common shares was R\$8.50, and the market value of 3.0830 TCP common shares (the number of common shares to be received for each TCO common share in the merger) was R\$26.21, the market value of 3.8998 TCP common shares (the number of common shares to be received for each TLE common share in the merger) was R\$33.15, the market value of 3.2879 TCP common shares (the number of common shares to be received for each TSD common share in the merger) was R\$27.95 and the market value of 7.0294 TCP common shares (the number of common shares to be received for each Celular CRT common share in the merger) was R\$59.75;

the last reported closing price on the São Paulo Stock Exchange for TCP preferred shares was R\$9.20, the market value of 3.0830 TCP preferred shares (the number of preferred shares to be received for each TCO preferred share in the merger) was R\$28.36, the market value of 3.8998 TCP preferred shares (the number of preferred shares to be received for each TLE preferred share in the merger) was R\$35.88, the market value of 3.2879 TCP preferred shares (the number of preferred shares to be received for each TSD preferred share in the merger) was R\$30.25 and the market value of 7.0294 TCP preferred shares (the number of preferred shares to be received for each Celular CRT preferred share in the merger) was R\$64.67;

the last reported closing price on the New York Stock Exchange for TCP ADSs was U.S.\$4.14, and the market value of 3.0830 TCP ADSs (the number of ADSs to be received for each TCO ADS in the merger) was R\$12.76, the market value of 3.8998 TCP ADSs (the number of ADSs to be received for each TLE ADSs in the merger) was R\$13.61 and the market value of 3.2879 TCP ADSs (the number of ADSs to be received for each TSD ADS in the merger) was R\$16.15.

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The CVM, the Brazilian securities regulator, may suspend for up to 15 days the shareholders meetings scheduled to approve the merger.

The CVM may suspend for up to 15 days the shareholders meetings scheduled to approve the merger in order to analyze the transaction and verify that it does not breach applicable laws or regulations.

In 2003, a proposed merger that would have resulted in TCO becoming a wholly owned subsidiary of TCP was enjoined by the CVM on grounds that the transaction was not fair in relation to the preferred shareholders of TCO.

Although we believe that the proposed merger described in this prospectus is legal and provides equitable treatment to TCP, TCO, TLE, TSD and Celular CRT, we cannot predict the outcome of any such analysis of the transaction by the CVM.

There is no clear guidance under Brazilian law regarding the income tax consequences to investors resulting from a merger.

There is no specific legislation, nor administrative or judicial precedent regarding the income tax consequences to investors resulting from a merger. Based on the opinion of its external tax advisors, TCP believes that there are reasonable legal grounds to sustain that the receipt (resulting from the merger) by a non-Brazilian holder of ADSs or by a U.S. person of common or preferred shares that are registered as a foreign portfolio investment under Resolution 2,689/00 of the National Monetary Council or are registered as a foreign direct investment under Law No. 4,131/62 would not be subject to income tax pursuant to Brazilian tax law. However, this position may not prevail, in which case TCP would be liable to the Brazilian tax authorities for withholding and collecting the taxable capital gains of shareholders resident abroad. While such shareholders would not be directly liable to Brazilian tax authorities, TCP would be entitled to reimbursements from them. For more details on the taxation of capital gains in Brazil, see Part Five: The Merger Material Tax Considerations Brazilian Tax Considerations.

The capital gain arising from a disposition of TCP shares registered as a direct foreign investment in Brazil could be calculated based on the historical amount in Brazilian currency of the investment, rather than the amount in foreign currency registered with the Central Bank of Brazil.

There is uncertainty concerning the currency to be used for the purposes of calculating the cost of acquisition of shares registered with the Central Bank of Brazil as a direct investment. Even though a recent precedent of a Brazilian administrative court supports the view that capital gains should be based on the positive difference between the cost of acquisition of the shares in the applicable foreign currency and the value of disposition of those shares in the same foreign currency, tax authorities are not bound by such precedents. For more details on the taxation of capital gains in Brazil, see Part Five: The Merger Material Tax Considerations.

Risks Relating to the Brazilian Telecommunications Industry and our Business

Extensive government regulation of the telecommunications industry may limit our flexibility in responding to market conditions, competition and changes in our cost structure.

Our business is subject to extensive government regulation, including any changes that may occur during the period of our authorization to provide telecommunications services. Anatel, which is the main telecommunications industry regulator in Brazil, regulates, among other things:

industry policies and regulations;

licensing;

prices;

competition;

telecommunications resource allocation;

service standards;

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technical standards;

interconnection and settlement arrangements; and

universal service obligations.

This extensive regulation and the conditions imposed by our authorizations to provide telecommunication services may limit our flexibility in responding to market conditions, competition and changes in our cost structure.

Our results may be affected in the medium or long term as a result of the new SMP rules.

In 2002, Anatel changed the Personal Mobile Service (*Serviço Móvel Pessoal*), or SMP, regime (first enacted in December 2000), encouraging companies operating under the Mobile Cellular Service (*Serviço Móvel Celular*), or SMC, regime to migrate to the SMP regime.

Under the SMP regime, we no longer receive payment from our customers for outbound long distance traffic but receive payment for the use of our network in accordance with a network usage remuneration plan. However, the interconnection fees that we receive from long distance operators may not compensate us for the revenues that we would have received from our customers for outbound long distance traffic. Until June 30, 2004, SMP service providers were able to opt to establish a price cap or freely negotiate their interconnection charges. Now, free negotiation is the rule, subject to Anatel regulations relating to the traffic capacity and interconnection infrastructure that must be made available to requesting parties.

In addition, under the SMP regime, an SMP operator used to pay for the use of another SMP operator's network in the same registration area only if the traffic carried from the first operator to the second exceeded 55% of the total traffic exchanged between them. In that case, only those calls that surpassed the 55% level were subject to payment for network usage. This rule was valid until June 30, 2005, after which no payments are now due for network usage between SMP networks, regardless of the amount of traffic. As a result, if the traffic we terminate for other SMP operators exceeds the traffic they terminate for our company, our revenues and results of operations may be adversely affected.

If the inflation adjustment index now applied to our prices is changed, the new index may not be adequate.

The Brazilian government currently uses the General Price Index, or the IGP-DI (the *Índice Geral de Preços Disponibilidade Interna*), an inflation index developed by the *Fundação Getúlio Vargas*, a private Brazilian economic organization, in connection with the prices charged in the telecommunications industry. Effective as from January 2006, IGP-DI will be replaced by the IST (*Índice de Serviços de Telecomunicações*). In the future, the government may replace the IST with a new index. Any new index might not adequately reflect the true effect of inflation on our prices.

Anatel's proposal regarding the consolidation of prices could have an adverse effect on our results.

Anatel has proposed new regulations on interconnection rules, some of which could have an adverse effect on our results. The public consultation period on Anatel's proposal ended on October 18, 2004, but final regulations have not been promulgated. The proposals that may adversely affect our results are (1) a proposal that two SMP providers controlled by the same economic group receive only one interconnection charge (VU-M) for calls originated and terminated in their networks rather than the current two VU-Ms, (2) a proposal for new negotiation rules for VU-M prices in which Anatel would have a rule in determining prices rather than the current free negotiation of prices and (3) a proposal for VU-M price unification among SMP providers of the same economic group having significant market power according to a criteria still to be defined. If these regulations take effect, they would have an adverse effect on our results of operations because (1) our interconnection charges would drop significantly, thereby reducing our revenues, (2) Anatel may allow more favorable prices for economic groups without significant market power and (3) the prices we charge in some regions in which we operate are higher than those in some other regions, and consolidation of those prices, competitive pressures and other factors would reduce our average prices and thereby reduce our revenues.

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We face substantial competition that may reduce our market share and harm our financial performance.

There is substantial competition in the telecommunications industry. We not only compete with companies that provide SMP service and trunking but also with companies that provide fixed-line telecommunications and Internet access services, due to the trend towards the convergence and substitution of SMP services for these other services.

We expect competition to intensify as a result of the entrance of new competitors and the rapid development of new technologies, products and services. Our ability to compete successfully will depend on our marketing techniques and on our ability to anticipate and respond to various competitive factors affecting the industry, including new services that may be introduced, changes in consumer preferences, demographic trends, economic conditions and discount pricing strategies by our competitors. If we do not keep pace with technological advances, or if we fail to respond timely to changes in competitive factors in our industry, we could lose a portion of our market share or suffer a decline in our revenue. Competition from other SMP communications service providers in the regions in which we operate may also affect our financial results by causing, among other things, the decrease in our customer growth rate and may bring about decreases in prices and increases in selling expenses. All these factors could have a material adverse effect on our results of operations.

Recently, there has been consolidation in the Brazilian telecommunications market, and we believe this trend may continue. Consolidation may result in increased competitive pressures within our market. We may be unable to respond adequately to pricing pressures resulting from consolidation, which would adversely affect our business, financial condition and results of operations.

In September 2004, Brasil Telecom, the fixed-line incumbent in nine states in Brazil and the Federal District (Anatel's Region II), launched GSM operations in those states. Brasil Telecom's authorization area overlaps with TCO's in the Brazilian Federal District and in the states of Acre, Goiás, Mato Grosso, Mato Grosso do Sul, Rondonia and Tocantins and overlaps with all of Global Telecom's authorization area (the states of Paraná and Santa Catarina). The entrance of Brasil Telecom into these markets will increase the competition that Global Telecom, Celular CRT and TCO face in some states. Brasil Telecom has announced that its marketing strategy will be the convergence between its fixed and mobile services, and it is the only company in those states that offers both fixed and cellular services. The entrance of Brasil Telecom into the cellular markets in these states will increase competition for Global Telecom and TCO and could have a material adverse effect on our results of operations.

Our results of operations would be affected by a high rate of customer turnover or a decrease in our customer growth.

A high rate of customer turnover or a decrease in our customer growth could adversely affect our results of operations and our competitive position. These effects can result from several factors, including limited network coverage and lack of sufficient reliability of our services, as well as increased competition in the regions in which we operate and economic conditions in Brazil.

The industry in which we conduct our business is subject to rapid technological changes, and these changes could have a material adverse effect on our ability to provide competitive services.

The telecommunications industry is subject to rapid and significant technological changes. Our success depends, in part, on our ability to anticipate and adapt in a timely manner to technological changes. We expect that new products and technologies will emerge and that existing products and technologies will be further developed.

The advent of new products and technologies could have a variety of consequences for us. These new products and technologies may reduce the price of our services by providing lower-cost alternatives, or they may be superior to, and render obsolete, the products and services we offer and the technologies we use, requiring investment in new technology. The cost of upgrading our products and technology in order to continue to compete effectively could be significant, and our ability to fund this upgrading may depend on our ability to obtain additional financing.

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Certain debt agreements of our subsidiaries, including TCO, and of TLE, TSD and Celular CRT and their subsidiaries contain financial covenants, and any default under such debt agreements may have a material adverse effect on our financial condition and cash flows.

Certain existing debt agreements contain restrictions and covenants and require the maintenance or satisfaction of specified financial ratios and tests. After the merger, our ability to meet these financial ratios and tests can be affected by events beyond our control, and we cannot assure you that we will meet those tests. Failure to meet or satisfy any of these covenants, financial ratios or financial tests could result in an event of default under these agreements. The existing debt agreements also contain cross-default provisions, so that in certain circumstances, if an event of default occurs under any subsidiary's agreement, the lenders could elect to declare all amounts outstanding under all of such subsidiary agreements to be immediately due and payable, enforce their interests against collateral pledged under the agreements and, in certain circumstances, restrict their ability to make additional borrowings.

As a result of these covenants, after the merger our ability or the ability of our subsidiaries to obtain additional financing, if needed, may be significantly restricted, and we may be prevented from engaging in transactions that might otherwise be considered beneficial to us.

Our controlling shareholders have a great deal of influence over our business.

As of September 30, 2005, PT Móveis S.G.P.S., S.A. and Telefónica Móviles, S.A., our principal shareholders, own through Brasilcel, directly and indirectly, approximately 92.51% of our common shares and 66.09% of our total capital stock. PT Móveis is a wholly owned subsidiary of Portugal Telecom. See Item 7. Major Shareholders and Related Party Transactions Major Shareholders in our Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2004, which is incorporated by reference into this prospectus. Our principal shareholders have the power to control us and our subsidiaries, including the power to elect the majority of our directors and officers and determine the outcome of any action requiring shareholder approval, including in certain circumstances transactions with related parties, corporate reorganizations and the timing and payment of our dividends.

In addition, Portugal Telecom and Telefónica Móviles share their participation in us equally. Any disagreement or dispute between them may have an impact on the decision-making capabilities of our management.

The cellular industry, including our company, may be harmed by reports suggesting that radio frequency emissions cause health problems and interfere with medical devices.

Media and other reports have suggested that radio frequency emissions from cellular handsets and base stations may cause health problems. If consumers harbor health-related concerns, they may be discouraged from using cellular handsets. These concerns could have an adverse effect on the cellular communications industry and, possibly, expose cellular providers, including our company, to litigation. We cannot predict whether further medical research and studies will refute a link between the radio frequency emissions of cellular handsets and base stations and these health concerns. Government authorities could increase regulation of cellular handsets and base stations as a result of these health concerns or cellular companies, including our company, could be held liable for costs or damages associated with these concerns, which could have an adverse effect on our business. The expansion of our network may be affected by these perceived risks if we experience problems in finding new sites to expand our network, which in turn may delay the expansion and may affect the quality of our services.

Our investment in Global Telecom S.A. has adversely affected, and is expected to continue to adversely affect, our financial performance.

Our investment in Global Telecom presents operational and financial risks. Global Telecom started operations in 1999, and its principal competitor in its authorization area has been in operation for a longer period of time and has a larger market share in that area. Global Telecom has had substantial net losses (R\$176.7 million in the nine months ended September 30, 2005, R\$180.3 million in 2004, R\$436.0 million in 2003 and R\$771.1 million in 2002) resulting in significant part from capital expenditures, indebtedness and increased expenses in connection with the rapid expansion of its network infrastructure and upgrading its marketing and commercial capabilities.

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Since we acquired Global Telecom, Global Telecom's net losses have negatively affected our financial results. The net losses of Global Telecom described above, as well as the expenses arising from our indebtedness we incurred to finance our acquisition of that company, contributed to net losses for our company of R\$591.5 million in the nine months ended September 30, 2005, R\$490.1 million in 2004, R\$640.2 million in 2003 and R\$1,140.7 million in 2002. On December 27, 2002, we acquired the remaining shares of Global Telecom and now fully consolidate it in our consolidated financial statements.

We expect our investment in Global Telecom to continue to have a material effect on our financial condition and results of operations, in part due to the indebtedness we incurred to make that investment.

We face risks associated with litigation.

We and our subsidiaries are party to a number of lawsuits and other proceedings. An adverse outcome in, or any settlement of, these or other lawsuits could result in significant costs to us. In addition, our senior management may be required to devote substantial time to these lawsuits, which they could otherwise devote to our business.

These lawsuits include actions seeking payment by TCO's subsidiary Telegoiás in the amount of R\$24.1 million and by TCO's former subsidiary Telebrasília (since merged into TCO) in the amount of R\$41.3 million, plus adjustment for exchange variations in each case and contractual penalties, on Telebrás loans assigned to those companies in connection with the privatization of the Telebrás system. The Court of Appeals of the Federal District rendered decisions unfavorable to TCO in these actions, and TCO filed an appeal to the Superior Court of Justice, which awaits for trial since May, 2004. On December 17, 2004, the plaintiff in these actions initiated an enforcement proceeding, claiming the amounts owed to be R\$91.5 million from TCO and R\$59.3 million from Telegoiás. On August 31, 2005, TCO and Telegoiás filed a motion to stay the enforcement, in which they challenge the amounts claimed by the plaintiff. The motion has not yet been examined by the Judge.

Several other lawsuits involving regulatory, intellectual property, tax and other matters are described in "Item 8.A. Consolidated Statements and Other Financial Information - Legal Matters" of our Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2004, which is incorporated by reference into this prospectus.

In addition, after the effectiveness of the merger, we will assume the liabilities of TLE, TSD and Celular CRT, including the risks they face from litigation. See "Risks Relating to the Merger" As a result of the merger, TCP will assume the liabilities of TLE, TSD and Celular CRT and will assume all the risks relating to those liabilities.

We may be required to record impairment charges relating to goodwill and long-lived assets in the future for purposes of U.S. GAAP.

For U.S. GAAP purposes, we are required to test our goodwill for impairment at least annually. The difference between the book value of a company and its market value may indicate that an impairment exists. This impairment test is described in note 21.k to our unaudited condensed consolidated interim financial statements included in this prospectus. TCP, in particular, has substantial goodwill, including goodwill relating to TCO with a carrying value of R\$735.0 million as of September 30, 2005. We expect that we may be required to record impairment charges relating to our goodwill in future periods, and this would have an adverse effect on our results of operations.

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In addition, we are required to record impairment charges on long-lived assets, including property, plant and equipment and finite-lived intangible assets (including concessions) if the carrying value of those assets exceeds their fair market value for purposes of U.S. GAAP. This annual impairment test is also described in note 21.k to our unaudited condensed consolidated interim financial statements included in this prospectus. When we performed our last impairment test, our evaluation of our ability to recover the carrying value of our long-lived assets was based upon projections of future operations that assumed a higher level of revenues and gross margin percentages than we have historically achieved. We may not be successful in achieving these improvements in

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our revenues and gross margin percentages due to the competitive environment, changes in technology or other factors. If we are unable to achieve these improvements, we may be required to record impairment charges relating to our long-lived assets in future periods, and this could have an adverse effect on our operations.

Risks Relating to Our Securities

Holders of our common shares, preferred shares or ADSs may not receive any dividends.

According to the Brazilian corporation law and our By-laws, we must generally pay dividends to all shareholders of at least 25% of our annual net income, as determined and adjusted under the Brazilian corporation law. These adjustments to net income for purposes of calculating the basis for dividends include allocations to various reserves that effectively reduce the amount available for the payment of dividends. However, we were unable to pay minimum dividends in for the fiscal years ended December 31, 2001, 2002, 2003 and 2004 because we had net losses, and we expect to have net losses in the fiscal year ended December 31, 2005. In addition, the Brazilian corporation law permits us to elect not to pay dividends to our shareholders in any particular fiscal year if our board of directors determines that such distributions would be inadvisable in light of our financial condition. In addition, we may change our dividend policy at any time. See Part Six: Shareholder Rights Description of TCP Capital Stock Allocations of Profits.

Since we are a holding company, our income consists of distributions from our subsidiaries in the form of dividends or other advances and payments. We do not generate our own operating revenues, and we are dependent on dividends and other advances and payments for our cash flow, including to make any dividend payments or to make payments on our indebtedness.

Our preferred shares and our ADSs representing preferred shares generally do not have voting rights.

In accordance with the Brazilian corporation law and our by-laws, holders of our preferred shares, and therefore of our ADSs representing preferred shares, are not entitled to vote at meetings of our shareholders, except in limited circumstances.

Our bylaws state that holders of preferred shares will have full voting rights in the event that we do not pay minimum dividends to those shareholders for three consecutive fiscal years, and those shareholders will retain those voting rights until the minimum dividends are paid. Because we did not pay minimum dividends for the years ended December 31, 2001, 2002 and 2003, the holders of preferred shares have been able to exercise voting rights since the general shareholders' meeting held in March 2004. We did not pay minimum dividends in 2004. However, once we again pay minimum dividends, those voting rights will cease.

Exchange controls and restrictions on remittances abroad may adversely affect holders of our common shares, preferred shares or ADSs.

Brazilian law provides that whenever there is a significant imbalance in Brazil's balance of payments or a significant possibility that such imbalance will exist, the Brazilian government may impose temporary restrictions on the remittance to foreign investors of the proceeds of their investment in Brazil (as it did for approximately six months in 1989 and early 1990) and on the conversion of Brazilian currency into foreign

currencies. These restrictions could hinder or prevent the Brazilian custodian of the preferred shares underlying the ADSs, or direct holders of preferred shares or common shares from converting dividends, distributions or the proceeds from any sale of such shares into U.S. dollars and remitting such U.S. dollars abroad. In such an event, the Brazilian custodian for our preferred shares underlying ADSs will hold the *reais* that it cannot convert for the account of holders of the ADSs who have not been paid. Neither the custodian nor the depository will be required to invest the *reais* or be liable for any interest.

Holders of our common shares, preferred shares or ADSs may face difficulties in serving process on or enforcing judgments against us and other persons.

We are organized under the laws of Brazil, and most of our directors and executive officers and our independent public accountants reside or are based in Brazil or other countries outside United States jurisdiction.

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Substantially all of our assets and those of these other persons are located in Brazil or such other countries. As a result, it may not be possible for holders of the common shares, the preferred shares or the ADSs to effect service of process upon us or these other persons within the United States or other jurisdictions outside Brazil or to enforce against us or these other persons judgments obtained in the United States or other jurisdictions outside Brazil. Because judgments of U.S. courts for civil liabilities based upon the U.S. federal securities laws may only be enforced in Brazil if certain conditions are met, holders of our common shares, preferred shares or ADSs may face greater difficulties in protecting their interests with respect to actions by us or our directors or executive officers than would shareholders of a U.S. corporation.

Actual or anticipated sales of a substantial number of our common shares or preferred shares could decrease the market prices of our common shares or preferred shares and ADSs, respectively.

Sales of a substantial number of our common shares or preferred shares could negatively affect the market prices of our common shares or preferred shares and ADSs, respectively. If, in the future, existing or future holders of common shares or preferred shares make substantial sales of shares, the market price of our common shares or preferred shares and ADSs, respectively, may decrease significantly. As a result, holders of the common shares, preferred shares or ADSs may not be able to sell them at a price equal or higher than the price they paid for them.

The relative volatility and illiquidity of the Brazilian securities markets may adversely affect holders of our common shares, preferred shares or ADSs.

Investments in securities, such as our common shares, our preferred shares and our ADSs, of issuers from emerging market countries, including Brazil, involve a higher degree of risk than investments in securities of issuers from more developed countries.

The Brazilian securities market is substantially smaller, less liquid, more concentrated and more volatile than major securities markets in the United States. These features may substantially limit the ability to sell the common shares or the preferred shares at a price and time at which holders wish to do so. The São Paulo Stock Exchange had a market capitalization of U.S.\$472.9 billion as of September 30, 2005, and an average monthly trading volume of approximately U.S.\$12.3 billion for the first nine months of 2005. In comparison, the NYSE had a domestic market capitalization of U.S.\$13.2 trillion (excluding funds and non-U.S. companies) as of September 30, 2005, and an average monthly trading volume of approximately U.S.\$54.9 billion for the first nine months of 2005.

There is also significantly greater concentration in the Brazilian securities market than in major securities markets in the United States. The ten largest companies in terms of market capitalization represented approximately 52.9% of the aggregate market capitalization of the São Paulo Stock Exchange as of September 30, 2005. The top ten stocks in terms of trading volume accounted for approximately 51.3% of all shares traded on the São Paulo Stock Exchange. A liquid and active market may never develop for our common shares, preferred shares or the ADSs, and as result the ability of holders to sell at the desired price or time may be significantly hindered.

Holders of our common shares, preferred shares or ADSs may face difficulties in protecting their interests because we are subject to different corporate rules and regulations as a Brazilian company and our shareholders may have fewer and less well-defined rights.

Our corporate affairs are governed by our By-laws and the Brazilian corporation law, which differ from the legal principles that would apply if we were incorporated in a jurisdiction in the United States, or elsewhere outside Brazil. The rights under Brazilian corporation law of a holder of our common shares or preferred shares to protect its interests with respect to actions by us or our directors or executive officers may be fewer

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and less well-defined than under the laws of those other jurisdictions. In addition, holders of the ADSs are not direct shareholders of our company and are unable to enforce the rights of shareholders under our by-laws and the Brazilian corporation law.

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Although insider trading and price manipulation are crimes under Brazilian law, the Brazilian securities markets are not as highly regulated and supervised as the U.S. securities markets or the markets in some other jurisdictions. In addition, rules and policies against self-dealing or for preserving shareholder interests may be less well-defined and enforced in Brazil than in the United States and certain other countries, which may put holders of our common shares, preferred shares or ADSs at a potential disadvantage. In addition, the disclosure required of public companies in Brazil may be less complete or informative than that required of public companies in the United States or in certain other countries.

Specific Risks Relating to our ADSs

Important Note: Celular CRT does not have an ADS program, and no holder of Celular CRT common shares or preferred shares will receive TCP ADSs.

Holders of the ADSs may find it difficult to exercise their voting rights at our shareholders' meetings.

Holders of our ADSs may exercise the limited voting rights with respect to our preferred shares represented by the ADSs only in accordance with the deposit agreement relating to the ADSs. There are practical limitations upon the ability of ADS holders to exercise their voting rights due to the additional steps involved in communicating with ADS holders. For example, we are required to publish a notice of our shareholders' meetings in certain newspapers in Brazil. To the extent that holders of our preferred shares are entitled to vote at a shareholders' meeting, they will be able to exercise their voting rights by attending the meeting in person or voting by proxy. By contrast, holders of the ADSs will receive notice of a shareholders' meeting by mail from the depositary following our notice to the depositary requesting the depositary to do so, and they may not receive voting materials in time to instruct the depositary to vote the preferred shares underlying their ADSs. To exercise their voting rights, ADS holders must instruct the depositary on a timely basis. If voting instructions for all or part of the ADSs are not received timely by the depositary, the depositary will assume that the holders of those ADSs are instructing it to give a discretionary proxy to a person designated by us to vote their ADSs, except in limited circumstances. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions of the holders of the ADSs or for the manner of carrying out those voting instructions. Accordingly, holders of the ADSs may not be able to exercise voting rights, and will have no recourse if the preferred shares underlying their ADSs are not voted as requested.

An exchange of ADSs for preferred shares risks loss of certain foreign currency remittance and Brazilian tax advantages.

The ADSs benefit from the certificate of foreign capital registration, which permits The Bank of New York, as depositary, to convert dividends and other distributions with respect to preferred shares into foreign currency, and to remit the proceeds abroad. Holders of ADSs who exchange their ADSs for preferred shares will then be entitled to rely on the depositary's certificate of foreign capital registration for five business days from the date of exchange. Thereafter, they will not be able to remit non-Brazilian currency abroad unless they obtain the appropriate registration, either under Resolution 2,689/00 of the Brazilian National Monetary Council (*Conselho Monetario Nacional*), known as Resolution 2,689, and CVM Instruction 325/00 or under Law No. 4,131/62, as described in Part Six: Shareholder Rights Description of TCP Capital Stock Exchange Controls and Central Bank Registration.

If a former holder of ADSs is not registered under Resolution 2,689, it may be subject to less favorable tax treatment on distributions in relation to our preferred shares. See Part Five: The Merger Material Tax Considerations Brazilian Tax Considerations.

Holders of ADSs may be subject to Brazilian income tax on gains from dispositions of ADSs.

Brazilian Law No. 10,833, dated December 29, 2003, provides that gains on the disposition of assets located in Brazil by non-residents of Brazil, whether to other non-residents or to Brazilian residents, will be subject to Brazilian taxation. The common shares and preferred shares are expected to be treated as assets located in

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Brazil for purposes of the law, and gains on the disposition of common shares and preferred shares, even by non-residents of Brazil, are expected to be subject to Brazilian taxation. In addition, the ADSs may be treated as assets located in Brazil for purposes of the law, and therefore gains on the disposition of ADSs by non-residents of Brazil may also be subject to Brazilian taxation. Although the holders of ADSs outside Brazil may have grounds to assert that Law No. 10,833 does not apply to sales or other dispositions of ADSs, it is not possible to predict whether that understanding will ultimately prevail in the courts of Brazil, given the general and unclear scope of Law No. 10,833 and the absence of judicial court rulings in respect thereto. See Part Five: The Merger Material Tax Considerations Brazilian Tax Considerations.

Risks Relating to Brazil

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. Brazilian political and economic conditions have a direct impact on our business, operations and the market price of our common shares, preferred shares and ADSs.

In the past, the Brazilian economy has experienced unstable economic cycles, and the Brazilian government has intervened in the Brazilian economy and occasionally made drastic changes in policy. To influence the course of Brazil's economy, control inflation and effect other policies, the Brazilian government has taken various actions, including using wage and price controls, currency devaluations, capital and exchange controls, limits on imports and blocking access to bank accounts. We have no control over, and cannot predict, what measures or policies the Brazilian government may take in the future. Our business, financial condition, results of operations and the market price of our common shares, preferred shares and ADSs may be adversely affected by changes in government policies, as well as general economic factors, including, without limitation:

fluctuations in exchange rates;

inflation;

exchange control policies;

gross domestic product growth;

social and political instability;

liquidity of domestic capital and lending markets;

price instability;

energy shortages;

interest rates;

tax policies; and

other political, diplomatic, social and economic developments in or affecting Brazil.

Uncertainty as to future government policies may contribute to an increase in the volatility of the Brazilian securities markets and securities issued abroad by Brazilian companies. The Brazilian economy grew 5.2% in 2004 and 0.5% and 1.9% in 2003 and 2002, respectively. Due to the limited economic growth in recent years, it is not certain whether the current economic policy will prevail. We can not predict Brazil's monetary, tax, social security and other policies, neither if such policies will cause an adverse impact to the economy and to our business and results of operations or the market price of our common shares, preferred shares and ADSs.

Tax reforms may affect our prices.

The Brazilian government has proposed tax reforms that are currently being considered by the Brazilian Congress. If TCP, TCO, TLE, TSD or Celular CRT experience a higher tax burden as a result of the tax reform, they may have to pass the cost of that tax increase to their customers. This increase may have a material negative impact on the dividends paid by our subsidiaries to our company and on our revenues and operating results.

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Political instability may have an adverse impact on the Brazilian economy.

Political crises in Brazil in the past have affected the trust of investors and the public in general, as well as the development of the economy. Political crises may have an adverse impact on the Brazilian economy, our business, financial condition and results of operations and the market price of our common shares, preferred shares and ADSs.

Inflation and certain government measures to curb inflation may have adverse effects on the Brazilian economy, the Brazilian securities market and/or our business and operations.

Brazil has historically experienced extremely high rates of inflation. Inflation and some of the Brazilian government's measures taken in an attempt to curb inflation have had significant negative effects on the Brazilian economy. Since 1994, Brazil's inflation rate has been substantially lower than in previous periods. However, inflationary pressures persist, and actions taken in an effort to curb inflation, coupled with public speculation about possible future governmental actions, have contributed to economic uncertainty in Brazil and heightened volatility in the Brazilian securities market. The inflation rate, as measured by the IGP DI index, was 12.1% in 2004, 7.7% in 2003 and 26.4% in 2002. Inflation in the nine-month period ended September 30, 2005 was 0.2%.

Future measures taken by the Brazilian government may have an adverse impact on the Brazilian economy, our business, financial condition and results of operation, or on the market price of common shares, preferred shares and ADSs. If Brazil experiences significant inflation, we may be unable to increase service rates to our customers in amounts that are sufficient to cover our increasing operating costs, and our business may be adversely affected. In addition, high inflation generally leads to higher domestic interest rates and, as a result, the cost of servicing our *real*-denominated debt may increase. Inflation and its effect on domestic interest rates can, in addition, lead to reduced liquidity in the domestic capital and lending markets, which could adversely affect our ability to refinance our indebtedness in those markets.

Fluctuations in the value of the real against the value of the U.S. dollar may adversely affect our ability to pay U.S. dollar-denominated or U.S. dollar-linked obligations and could lower the market value of our common shares, preferred shares and ADSs.

The Brazilian currency has been devalued frequently over the past four decades. Throughout this period, the Brazilian government has implemented various economic plans and used various exchange rate policies, including sudden devaluations, periodic mini-devaluations (during which the frequency of adjustments has ranged from daily to monthly), exchange controls, dual exchange rate markets and a floating exchange rate system. From time to time, there have been significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies. For example, the *real* depreciated by 15.7% and 34.3% against the U.S. dollar in 2001 and 2002, respectively. In 2003 and 2004, the *real* appreciated against the U.S. dollar by 22.3% and 8.8%, respectively.

Devaluation of the *real* relative to the U.S. dollar could create additional inflationary pressures in Brazil by generally increasing the price of imported products and requiring recessionary government policies to curb aggregate demand. The sharp depreciation of the *real* in relation to the U.S. dollar may generate inflation and governmental measures to fight possible inflationary outbreaks, including the increase in interest rates. On the other hand, appreciation of the *real* against the U.S. dollar may lead to a deterioration of the country's current account and the balance of payments, as well as dampen export-driven growth. Devaluations of the *real* would reduce the U.S. dollar value of distributions and dividends on common shares, preferred shares and ADSs and may also reduce the market value of such securities. Any such macroeconomic effects could adversely affect our net operating revenues and our overall financial performance.

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Devaluation of the *real* relative to the U.S. dollar may increase the cost of our indebtedness in foreign currency. It would also reduce the U.S. dollar value of our revenues and distribution of dividends. As of September 30, 2005, TCP had R\$4,949.9 million in consolidated total debt, of which approximately 60% was

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denominated in foreign currencies, such as U.S. dollar and yen. Also, significant costs relating to our network infrastructure and handsets costs are payable or linked to payment by us in U.S. dollars. At the same time, while our foreign currency debt obligations were covered by derivative contracts as of September 30, 2005 and we may derive income from these and other derivative transactions, all of our operating revenues are generated in *reais*. To the extent that the value of the *real* decreases relative to the U.S. dollar, our debt becomes more expensive to service and it becomes more costly for us to acquire the technology and the goods that are necessary to operate our business. Although we currently hedge our foreign currency debt, we may decide to change our hedging policy in the future. In addition, when the value of the *real* increases relative to the U.S. dollar, the decrease in the cost of servicing our debt is offset by our losses on the derivatives associated with it.

Fluctuations in interest rates may have an adverse effect on our business and on the market price of our common shares, preferred shares and ADSs.

Between February and July 2002, the Central Bank reduced the basic interest rate from 19% to 18%. Between October 2002 and February 2003, the Central Bank increased the basic interest rate by 8.5 percentage points, to 26.5%. In June 2003 the Central Bank started again reducing the basic interest rate. In 2004 and in the first months of 2005 the Central Bank increased the basic interest rate. As of the date of this prospectus, the basic interest rate is 18.0%.

As of September 30, 2005, TCP's total indebtedness was R\$4,949.9 million. Approximately 34% of such indebtedness is denominated in *reais* and mostly pegged to the CDI (*Certificado Depositário Interbancário*) rate, a Brazilian interbank rate. All other debt was denominated in foreign currencies and fully covered by derivative contracts so that the final cost of the debt and the associated derivative is the CDI rate. As a consequence, an increase in the CDI interest rates and inflation indexes would increase the costs of our debt.

Brazilian government exchange control policies could adversely affect our ability to make payments on foreign currency-denominated debt.

The purchase and sale of foreign currency in Brazil is subject to governmental control. In the past, the Central Bank has centralized certain payments of principal on external obligations.

Many factors could cause the Brazilian government to institute a more restrictive exchange control policy, including, without limitation, the extent of Brazil's foreign currency reserves, the availability of sufficient foreign exchange, the size of Brazil's debt service burden relative to the economy as a whole, Brazil's policy towards the International Monetary Fund, or IMF, and political constraints to which Brazil may be subject. A more restrictive policy could affect the ability of Brazilian debtors (including us) to make payments outside of Brazil to meet foreign currency-denominated obligations.

Deterioration in economic and market conditions in other countries, especially emerging market countries, may adversely affect the Brazilian economy and our business.

The market for securities issued by Brazilian companies is influenced by economic and market conditions in Brazil and, to varying degrees, market conditions in other Latin American and emerging market countries. Although economic conditions are different in each country, the reaction of investors to developments in one country may cause the capital markets in other countries to fluctuate. Developments or conditions in other emerging market countries have at times significantly affected the availability of credit in the Brazilian economy and resulted in considerable outflows of funds and declines in the amount of foreign currency invested in Brazil. Any return to economic turmoil in Argentina

or adverse economic developments in other emerging markets may adversely affect investor confidence in securities issued by Brazilian companies, including our common shares, preferred shares and ADSs representing our preferred shares, causing the market price and liquidity of those securities to suffer.

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PART FOUR INFORMATION ON THE VIVO COMPANIES

Management's Discussion and Analysis of Financial Condition and Results of Operations

TCP, TCO, TLE, TSD and Celular CRT, or the VIVO companies, are leading providers of cellular telecommunications in 19 states in Brazil and the Federal District. According to data published by Anatel, the VIVO companies have 36.1% of the total market in Brazil and 45.9% of the total market in their authorized areas, with 28.8 million users at September 30, 2005. Their operations cover an area with approximately 135 million inhabitants, or 73% of the Brazilian population. On a pro forma basis reflecting the mergers, the VIVO companies had net operating revenues of R\$10,929.3 million for the year ended December 31, 2004 and R\$8,308.1 million for the nine months ended September 30, 2005.

The VIVO companies are controlled by Brasilcel N.V., a joint venture of Portugal Telecom and Telefónica Móviles. The corporate structure of the VIVO companies before and after the mergers is set forth in Part Two: Summary of this prospectus. The VIVO companies provide services in their regions through the following operating subsidiaries:

TCP provides services:

in the state of São Paulo through Telesp Celular S.A.;

in the states of Paraná and Santa Catarina through Global Telecom S.A.; and

through the operating subsidiaries of its subsidiary TCO;

TCO provides services in the states of Acre, Amapá, Amazonas, Goiás, Maranhão, Mato Grosso, Mato Grosso do Sul, Pará, Rondonia, Roraima and Tocantins through several operating subsidiaries and directly in the Federal District;

TLE provides services in the states of Bahia and Sergipe through two operating subsidiaries;

TSD provides services in the states of Espírito Santo and Rio de Janeiro through two operating subsidiaries; and

Celular CRT provides services in the state of Rio Grande do Sul through an operating subsidiary.

Management Overview

The VIVO companies pursue a common commercial strategy and are guided by a common management team. All the VIVO companies generate operating revenues in the same way, and they incur the same types of costs of services and goods sold. In addition, although their markets vary, all of the VIVO companies are subject to common trends and government regulations affecting the Brazilian cellular

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telecommunications industry. At the same time, the VIVO companies closely monitor various other operational and other factors described below.

Revenues and Costs

The gross operating revenues of the VIVO companies consist of the following:

usage charges, which include charges for outgoing calls, roaming and similar service;

revenues from the sale of handsets and accessories;

monthly subscription charges paid by their contract customers;

interconnection charges (or network usage charges), which are amounts they charge other cellular and fixed-line or long distance service providers for the use of their networks; and

other charges, including charges for the text messaging services (SMS), call forwarding, call waiting, voicemail and call blocking.

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These gross operating revenues are subject to several value-added and indirect taxes imposed in Brazil at the federal and state levels. These taxes are described in Item 4.B., *Business Overview Taxes on Telecommunications Services and Handset Sales* in TCP's Annual Report on Form 20-F for the year ended December 31, 2004, which is incorporated by reference in this prospectus. In addition, the VIVO companies record their net operating revenues after deduction of sales and services discounts and returns of goods sold. Discounts on handsets and accessories and on services provided are key competitive factors in the Brazilian cellular telecommunications market, and the VIVO companies adjust these discounts frequently in accordance with their competitive strategy.

The costs of services and goods of the VIVO companies consist of the following:

depreciation and amortization of the transmission network infrastructure and equipment;

material and services, which are the costs of third-party services (such as network maintenance services) the costs of rented circuits and transmission lines and other costs;

interconnection charges, which are charges the VIVO companies pay to other companies for the use of their networks to complete calls;

personnel expenses relating to sales personnel and other non-administrative personnel, which expenses are generally subject to collective bargaining agreements;

rental, insurance and condominium fees, which include the costs of rented stores and facilities, insurance for our network and other costs;

cost of handsets and accessories that they sell; and

Fistel and certain other taxes that are not assessed on gross operating revenues. For an explanation of the Fistel tax, see Item 4.B., *Business Overview Taxes on Telecommunications Services and Handset Sales* in TCP's Annual Report on Form 20-F for the year ended December 31, 2004.

Industry Factors

The business of the VIVO companies is influenced by several important factors, including the following:

Shift to Prepaid Services. The Brazilian cellular telecommunications market has been influenced recently by a shift toward prepaid services. Prepaid services generate usage charges and interconnection charges but do not generate monthly subscription charges. Prepaid services have also attracted lower income customers to VIVO's services. In addition, prepaid customers tend to make fewer outgoing calls than contract customers, and VIVO's contract customers therefore have a disproportionate impact on usage charges. Because of the importance of contract customers to VIVO's business, the VIVO companies have undertaken initiatives to maintain and develop the contract customer base, including through the recently launched *Right Planning* loyalty program for contract customers.

In 2003, Telesp Celular changed its revenue recognition policy for prepaid services. Before January 1, 2003, revenues from prepaid services were recognized at the time of sale of the prepaid minutes. Thereafter, these revenues have been deferred and recognized as the prepaid minutes are used.

Competition. The VIVO companies face aggressive competition throughout their regions, both from existing competitors and new entrants into the market. In November 2002, for example, a new competitor, TIM, entered the market of Celular CRT and TCO, and in September 2004, Brasil Telecom, the fixed-line incumbent in nine states and the Federal District, began cellular services in its region, which overlaps with that of TCO, Celular CRT and Global Telecom. In the face of this competition, the VIVO companies have generally pursued a strategic focus on profitability and selective customer growth, rather than a specific focus on gaining market share. Within their strategic focus, the VIVO companies pursue a number of strategies to address these competitive pressures, often including discounts on handsets and accessories; loyalty programs, such as our Right Planning loyalty program

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for contract customers, which has generally contributed to a reduction in our monthly subscription charges in the short term; and marketing and promotional expenses, which tend to increase our selling expenses. Sales and services discounts as a percentage of gross operating revenues vary with the competitive features and demographics of each of the VIVO markets and are currently highest for TSD and TLE.

Recent Regulatory Changes. In recent years, Anatel, the Brazilian telecommunications regulator, has introduced a number of changes that affect the composition of VIVO's operating revenues:

Carrier Selection Codes. As of July 6, 2003, cellular telecommunications operators in Brazil were required by the Personal Mobile Service (*Serviço Móvel Pessoal*), or SMP, rules to implement long distance carrier selection codes (*códigos de seleção de prestadora*) used by customers to choose their carrier for domestic long distance services (for both VC2 and VC3 calls) and international cellular calls. VC2 calls are calls made to parties outside a caller's area code but inside the same state, and VC3 calls are calls made to parties outside the caller's state. As a result, VIVO no longer receives revenues from the outgoing calls or incurs costs in connection with VC2 or VC3 or international calls, but instead it receives interconnection charges. This change has tended to decrease both the outgoing calls revenues of the VIVO companies and the interconnection charges they pay to other companies.

Partial Bill & Keep. Also in July 2003, Anatel adopted new partial Bill & Keep rules for interconnection charges. The rules provide that companies under the SMP regime are not required to pay tariffs for the use of the local network of other SMP providers as long as customers use local service (*i.e.*, make calls in the same registration area) and as long as there is a traffic balance between them. However, if traffic from the SMP provider that originates the call to the SMP provider that terminates the call represents more than 55% of the total local traffic between the two providers, the SMP provider who originates the higher traffic through the other provider's network must pay to such other provider the local usage tariff for the portion of the traffic that exceeds 55%.

Tariff Rates. Anatel authorizes cellular operators to increase tariffs based upon cumulative inflation over a twelve-month period, measured by the IGP-DI index from February to January of each year. Anatel established that from July 2004, interconnection rates for wireless networks (the VU-M) would be freely negotiated. Nevertheless, the Brazilian network operators have not been fully successful in negotiating and reaching acceptable interconnection agreements; if telecommunications companies cannot agree on interconnection rates and conditions, Anatel may, by mediation, arbitration or intervention, establish the terms of such interconnection agreements.

You should read Part Three: Risk Factors Risks Relating to the Brazilian Telecommunications Industry and Our Business for more information about these and other industry factors that the VIVO companies face.

Operational and Other Factors

The VIVO companies also pay close attention to a number of other operational and other factors that significantly affect their business:

Customers. VIVO closely monitors changes in both its prepaid and contract customers from period to period. VIVO also tracks its market share for each VIVO company, and it monitors net additions of customers from period to period. As of September 30, 2005 compared to September 30, 2004, the number of prepaid customers increased at a higher rate than the number of contract customers at TCP, TCO and TLE, and the number of contract customers increased at a higher rate at TSD and Celular CRT. The positive impact on revenues from monthly subscription charges was generally more than offset in the nine months ended September 30, 2005 by the cost of the Rights Planning loyalty program VIVO implemented to maintain and increase the number of contract customers. In addition, market share generally decreased from September 30, 2004 to September 30, 2005 due to competitive pressures, and the rate of net

additions of prepaid customers in the third quarter of 2005 was lower than

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the rate in the third quarter of 2004 for the same reason. See below in this Part Four: Information About the VIVO Companies for operational data for each of the VIVO companies as of September 30, 2005 and for the fiscal quarter then ended.

Average Revenue Per User (ARPU) and Minutes of Use (MOU). VIVO also tracks the average revenue per user for both contract and prepaid customers for each of the VIVO companies, as well as changes in minutes of use by type of customer. ARPU and MOU generally increased for contract customers in the third quarter of 2005 (except for TSD, where they decreased), but ARPU and MOU generally decreased for prepaid customers. See below in this Part Four: Information About the VIVO Companies for operational data for each of the VIVO companies as of September 30, 2005 and for the fiscal quarter then ended.

Changes in Technology. VIVO's costs are affected by changes in technology, which often require additional investments in network infrastructure and other costs in order to provide quality, competitive service. For example, both TCO and Celular CRT incurred additional depreciation and amortization expenses and materials and services costs in the nine months ended September 30, 2005 in connection with the overlay of more sophisticated Code Division Multiple Access, or CDMA, networks on top of their existing Time Division Multiple Access, or TDMA, networks. Other VIVO companies, such as TSD and TLE, have largely completed their conversions to CDMA technology and currently less affected by these transition costs.

Improper Use of Network. VIVO closely monitors the improper use of its network to minimize lost revenues. The VIVO companies frequently adjust their provisions for doubtful accounts based both on increases in the customer base and on the improper use of the network.

Recent Developments

Issuance of TCP Debentures

On May 1, 2005, TCP issued R\$1.0 billion in aggregate principal amount of debentures in two series, both maturing in May 2015. The first series, in the aggregate amount of R\$200,000, bears interest at 103.3% of the average daily interbank deposit rate for deposits of one day (*DI Depósitos Interfinanceiros de um dia, extragrupo*), payable semiannually, and is subject to renegotiation of terms (*repactuação*) in May 2009. The second series, in the aggregate amount of R\$800,000, bears interest at 104.2% of the average daily interbank deposit rate, payable semiannually, and is subject to renegotiation of terms in May 2010. The proceeds of the issuance of these debentures were used for the repayment of short-term debt.

Reverse Stock Split and Change of ADR Ratio

On May 4, 2005, TCP completed a reverse stock split, combining each 2,500 common and preferred shares into one common or preferred share, respectively. TCP also changed the ratio of its ADSs to preferred shares such that one ADS now represents one preferred share.

Each of TCO, TLE, TSD and Celular CRT completed a similar reverse stock split. TCO combined each 3,000 common and preferred shares into one common or preferred share, respectively. TLE combined each 50,000 common and preferred shares into one common or preferred share, respectively. TSD combined each 5,000 common and preferred shares into one common or preferred share, respectively. Celular CRT combined each 100 common and preferred shares into one common or preferred share, respectively. Each of TCO, TLE and TSD also changed the ratio of its ADSs to preferred shares such that one ADS now represents one preferred share.

Since such reverse stock splits, TCP, TCO, TLE, TSD and Celular CRT shares are traded on the São Paulo Stock Exchange based on a price per share, rather than based on a price per thousand shares.

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On July 29, 2005, the Board of Directors of each of TCP, TCO, TLE, TSD and Celular CRT approved an increase in the capital stock and issued, with due regard to preemptive rights, the amount of new common shares at the issue price set forth in the table below:

	<u>Number of Shares</u>	<u>Issue Price</u>
TCP	29,298,932	R\$ 8.28
TCO	3,107,645	R\$ 20.56
TLE	31,915	R\$ 15.35
TSD	2,029,225	R\$ 17.98
Celular CRT	929,892	R\$ 35.80

The issue price corresponded to 90% of the weighted average of the closing price recorded on the São Paulo Stock Exchange in the 30 trading days from May 16, 2005 (May 13 for TLE) to June 27, 2005 (June 24 for TLE). Preemptive rights could be exercised in the period from June 29, 2005 to July 28, 2005.

Each of these capital increases allowed Brasilcel, as controlling shareholder of TCP, TSD, TLE and Celular CRT, and TCP, as controlling shareholder of TCO, to capitalize a portion of the tax benefit related to the goodwill generated in the acquisition process of those companies. CVM regulations permit the acquiror of a publicly held company to capitalize the tax benefits arising from the amortization of goodwill generated in the acquisition of that company, so long as preemptive rights are extended to the other shareholders of the publicly held company in connection with the capital increase. The tax benefits capitalized by Brasilcel in July 2005 with respect to TCP included tax benefits of R\$120,850,877 relating to the year ended December 31, 2004 and tax benefits of R\$121,744,279 relating to the years 2002 and 2003. The tax benefits capitalized by Brasilcel in July 2005 with respect to TLE, TSD and Celular CRT totaled R\$489,733, R\$36,485,465 and R\$33,290,159, respectively, and related to the year ended December 31, 2004. The tax benefits capitalized by TCP in July 2005 with respect to TCO totaled R\$63,893,190 and related to the year ended December 31, 2004. For further information on such corporate restructurings see note 34 to TCP's audited consolidated financial statements as of December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 included in this prospectus, and notes 30, 26, 27 and 27 to the audited consolidated financial statements as of December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004 of TCO, TLE, TSD and Celular CRT, respectively, included in this prospectus.

In addition, at the same meeting, the Board of Directors of TCO approved the cancellation of 1,927,812 common shares held in treasury. At a meeting held on March 28, 2005, the Board of Directors of TLE approved the cancellation of 252,498 common shares and 51,102,580 preferred shares held in treasury.

As of December 4, 2005, the capital stock of each of the Vivo companies consisted of the following:

	<u>Total shares outstanding</u>	<u>Common shares</u>	<u>Preferred shares</u>
TCP	662,324,342	250,457,704	411,866,638
TCO	130,068,158	44,332,722	85,735,436
TLE	9,644,278	3,376,560	6,267,718
TSD	91,831,224	39,916,217	51,915,007

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<u>Celular CRT</u>	33,280,844	14,439,063	18,841,781(1)
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(1) Includes 639,444 preferred shares held in treasury that will be transferred to TCP in the merger.

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The following table sets forth certain components of TCP's income for the periods indicated.

	Nine-Month Periods, Ended September 30,		% Change
	2005	2004	
	R\$ million (unaudited)		
Net operating revenue	5,491.7	5,387.8	1.9%
Cost of services and goods	(2,479.6)	(2,353.4)	5.4%
Gross profit	3,012.1	3,034.4	-0.7%
Operating expenses:			
Selling expenses	(1,790.9)	(1,318.6)	35.8%
General and administrative expenses	(455.1)	(506.1)	-10.1%
Other net operating expenses	(287.0)	(151.9)	88.9%
Operating income net financial expense	479.1	1,057.8	-54.7%
Net financial expense	(683.9)	(751.3)	-9.0%
Operating income (loss)	(204.8)	306.5	-166.8%
Net non-operating (expenses) income	12.0	1.4	757.1%
Income (loss) before minority interests and taxes	(192.8)	307.9	-162.6%
Income taxes	(265.8)	(294.0)	-9.6%
Minority interest	(133.0)	(269.4)	-50.6%
Net loss	(591.6)	(255.5)	131.5%

Operating Data

The following table sets forth certain operating components of TCP.

	Nine-Month Periods Ended September 30,		% Change
	2005	2004	

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Total number of customers (in thousands)	19,370	16,363	18.4%
Contract	3,055	2,787	9.6%
Prepaid	16,315	13,576	20.2%
Market share(1)	46.5%	54.0%	-7.5 p.p.
Net additions (in thousands)	371	833	-55.5%
Contract	87	33	-163.6%
Prepaid	284	800	-64.5%
Market share of net additions to customer base(1)	17.6%	36.3%	-18.7 p.p.
Market penetration(1)	46.2%	34.6%	11.6 p.p.
Customer acquisition cost, per customer(2) (R\$)	151	159	-5.0%
Monthly churn(3)	1.7%	1.7%	
Average revenue per user (R\$ per month)	27.7	32.4	-14.5%
Contract	92.8	87.4	6.2%
Prepaid	14.5	19.4	-25.3%
Total minutes used per customer(4)	74	85	-12.9%
Contract	236	222	6.3%
Prepaid	42	54	-22.2%
Employees	4,120	4,131	-0.3%

(1) Source: Anatel

(2) Calculated as follows: (70% marketing expenses + costs of the distribution network + handset subsidy) / gross additions.

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- (3) The number of customers that leave the company during the period, calculated as a percentage of the simple average of customers at the beginning and end of the period.
- (4) Total minutes of calls received and made by the company's customers divided by the average lines in service during the relevant year (including roaming in and excluding roaming out).

Net Operating Revenue

The composition of operating revenues by category of service is presented in TCP's consolidated financial statements and discussed below before deduction of value-added and other taxes. The following table sets forth the components of TCP's operating revenues for the periods indicated, as well as the percentage change of each component from period to period.

	Nine-Month Periods Ended September 30,		
	2005	2004	% Change
	R\$ million (unaudited)		
Gross operating revenue:			
Usage charges	3,246.9	2,824.0	15.0%
Sales of handsets and accessories	1,389.9	1,346.0	3.3%
Monthly subscription charges	134.1	192.3	-30.3%
Interconnection fees	2,221.4	2,331.9	-4.7%
Other	495.7	425.3	16.6%
Total gross operating revenue	7,488.0	7,119.5	5.2%
Value-added and other indirect taxes	(1,423.2)	(1,296.6)	9.8%
Sales and services discounts and return of goods sold	(573.1)	(435.1)	31.7%
Net operating revenue	5,491.7	5,387.8	1.9%

The net operating revenue of TCP increased 1.9% to R\$5,491.7 million for the nine months ended September 30, 2005 from R\$5,387.8 million for the nine months ended September 30, 2004, principally due to an increase in revenues from usage charges and, to a lesser degree, increases in other revenues and in revenues from sales of handsets and accessories. These increases were partially offset by decreases in revenues from monthly subscription charges and interconnection fees.

Usage charges. Revenues from usage charges increased 15.0% to R\$3,246.9 million for the nine months ended September 30, 2005 from R\$2,824.0 million for the nine months ended September 30, 2004, primarily due to an 18.4% increase in the customer base to 19.370 million lines in service at September 30, 2005 from 16.363 million lines in service at September 30, 2004. In addition, outgoing traffic also grew 8.8%, primarily due to an increase in the customer base subject to contract (who make more outgoing calls than prepaid customers) to 3.1 million lines in service subject to contract (included in the total lines of service above) as of September 30, 2005 from 2.8 million lines at September 30, 2004.

Sales of handsets and accessories. Revenues from sales of handsets and accessories increased 3.3% to R\$1,389.9 million for the nine months ended September 30, 2005 from R\$1,346.0 million for the nine months ended September 30, 2004. This increase was mainly due to the increase in the customer base described above, which resulted in part from promotional campaigns to acquire new customers. Revenues from handset sales are reported before commissions and promotional discounts and include value-added taxes. In general, the purpose of handset sales is to encourage growth in customers and traffic (and not necessarily to generate profits). Accordingly, we subsidize part of the costs of handsets. Although profit margins vary from one handset model to another, on average profit margins are negative after taxes and discounts. The subsidy strategy resulted in a gross loss (calculated as the difference from net operating revenues from sales of handsets and accessories minus the cost of handsets and accessories) for TCP of R\$367.4 million for the nine months ended September 30, 2005, compared to R\$362.5 for the nine months ended September 30, 2004.

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Monthly subscription charges. Revenues from monthly subscription charges decreased 30.3% to R\$134.1 million for the nine months ended September 30, 2005 from R\$192.3 million for the nine months ended September 30, 2004. The decrease was principally due to the impact of our Right Planning loyalty program, which was introduced in July 2004 and the effects of strong competition. Under that program, we tailor our contracts to the usage needs of our contract customers, seeking to provide competitive prices based on their individual profiles. This program is designed to maintain and increase our contract customer base described above.

Interconnection fees. Revenues from interconnection fees decreased 4.7% to R\$2,221.4 million for the nine months ended September 30, 2005 from R\$2,331.9 million for the nine months ended September 30, 2004. This decrease was principally due to the trend toward a greater volume of cellular to cellular calls and a reduction in volume of fixed line to cellular calls and to the effect of the partial Bill & Keep system under Anatel's Personal Mobile Service (*Serviço Móvel Pessoal*, or SMP) regime, as described in Management Overview above. The migration of callers away from fixed line services decreases our interconnection fees because the interconnection fees that apply to calls from a fixed line to a cellular line are higher than the fees that apply to calls from a cellular line to another cellular line.

Other. Revenues from other services increased 16.6% to R\$495.7 million for the nine months ended September 30, 2005 from R\$425.3 million for the nine months ended September 30, 2004. This increase was principally due to the increase in our customer base and an increase in the use of data-related services by our customers, including text message services, or SMS, wireless internet services and other value-added services. The increase in the use of data services was due in part to increases in internet access, improvements in data service tools, the launch of new services and an increase in the number of data transmission-enabled handsets. New services launched in the nine months ended September 30, 2005 include: SmartMail, a wireless e-mail service; Corporate VIVO Play 3G, a third generation service providing cellular access to multimedia content; and games.

Value-added and other indirect taxes. Value-added taxes and other indirect taxes increased 9.8% to R\$1,423.2 million for the nine months ended September 30, 2005 from R\$1,296.6 million for the nine months ended September 30, 2004. This increase occurred principally because of the increase in gross operating revenues other than from interconnection fees (which are not subject to these taxes). These value-added and other indirect taxes are described in Item 4.B., Business Overview Taxes on Telecommunications Services and Handset Sales in our Annual Report on Form 20-F for the year ended December 31, 2004, which is incorporated by reference in this prospectus. Value-added taxes and other indirect taxes were 19% of TCP's gross operating revenue in the nine months ended September 30, 2005, compared to 18% in the nine months ended September 30, 2004. The effective rate of taxes on gross operating revenues varies depending on the composition of our revenues. Interconnection charges, for example, are not subject to the ICMS tax.

Sales and services discounts and returns of goods sold. These deductions from operating revenues include discounts on cellular handset sales, discounts on services and returns of goods sold. Discounts and returns increased 31.7% to R\$573.1 million for the nine months ended September 30, 2005 from R\$435.1 million for nine months ended September 30, 2004. This increase was principally due to increases in discounts on handsets and accessories in response to aggressive competition from other providers. Sales and services discounts and returns of goods sold represented 6.1% and 7.7%, respectively, of our gross operating revenues for the nine months ended September 30, 2004 and 2005.

Table of Contents*Cost of Services and Goods*

The following table sets forth the components of TCP's costs of services and goods sold for the periods indicated, as well as the percentage change of each component from period to period.

	Nine-Month Periods Ended September		% Change
	2005	2004	
	R\$ millions, (unaudited)		
Depreciation and amortization	(570.9)	(538.2)	6.1%
Material and services	(256.3)	(225.3)	13.8%
Interconnection charges	(121.4)	(155.9)	-22.1%
Personnel	(47.1)	(42.8)	10.0%
Rental, insurance and other related expenses	(70.3)	(69.8)	0.7%
Cost of handsets and accessories	(1,163.6)	(1,181.6)	-1.5%
Fistel and other taxes	(250.0)	(139.8)	78.8%
Cost of services and goods	(2,479.6)	(2,353.4)	5.4%

Cost of services and goods increased 5.4% to R\$2,479.6 million for the nine months ended September 30, 2005 from R\$2,353.4 million for the nine months ended September 30, 2004, principally due to increases in tax payments and, to a lesser degree, increases in depreciation and amortization and the cost of third-party services. This increase was partially offset by a decrease in interconnection charges paid to other providers. Our gross profit margin (gross profit as a percentage of net revenues) was 54.8% for the nine months ended September 30, 2005, compared to 56.3% for nine months ended September 30, 2004.

Depreciation and amortization. Depreciation and amortization expenses increased 6.1% to R\$570.9 million for the nine months ended September 30, 2005 from R\$538.2 million for the nine months ended September 30, 2004, mainly due to expansion of our transmission network and other assets driven by the expansion in our customer base.

Material and services. Cost of material and services increased 13.8% to R\$256.3 million for the nine months ended September 30, 2005 from R\$225.3 million for the nine months ended September 30, 2004, mainly due to increases in the cost of third-party services and rental payments, such as network maintenance services and the costs of rented circuits and transmission lines. In addition, we incurred greater costs in the nine months ended September 30, 2005 in connection with the ongoing process of overlaying TCO's older Time Division Multiple Access, or TDMA, network with a more advanced Code Division Multiple Access, or CDMA, network.

Interconnection charges. Interconnection charges are charges paid to other companies for the use of their networks to complete calls that originate in our network. Interconnection charges decreased 22.1% to R\$121.4 million for the nine months ended September 30, 2005 from R\$155.9 million for the nine months ended September 30, 2004, primarily due to the effects of the SMP regime and the partial Bill & Keep billing system.

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Personnel. Personnel expenses increased 10.0% to R\$47.1 million for the nine months ended September 30, 2005 from R\$42.8 million for the nine months ended September 30, 2004, primarily due to an approximate 6% increase in salaries under the terms of our collective bargaining agreement, which we renegotiate annually to take effect on November 1, and due to training program costs.

Rental, insurance and other related expenses. Rental, insurance and condominium fees remained relatively constant at R\$70.3 million for the nine months ended September 30, 2005, compared to R\$69.8 million for the nine months ended September 30, 2004.

Cost of handsets and accessories. Cost of handsets and accessories decreased 1.5% to R\$1,163.6 million for the nine months ended September 30, 2005 from R\$1,181.6 million for the nine months ended September 30, 2004, primarily due to better terms negotiated with suppliers and because TCP added fewer new customers in the nine months ended September 30, 2005 than in the nine months ended September 30, 2004.

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Fistel and other taxes. Fistel and other tax expenses increased 78.8% to R\$250.0 million for the nine months ended September 30, 2005 from R\$139.8 million for the nine months ended September 30, 2004. This increase was primarily due to a change in accounting policy at TCO to bring TCO's accounting for Fistel and other taxes in line with that of TCP. Beginning in January of 2005, TCO began to accrue amounts monthly for these taxes, as is TCP's policy, rather than recognize the entire amount of the taxes in December of a given fiscal year. TCP's results of operations for the nine months ended September 30, 2005, which consolidate the results of TCO, reflect the effect of this change in policy.

Operating Expenses

The following table sets forth the components of TCP's operating expenses for the periods indicated, as well as the percentage change of each component from period to period.

	Nine Month Periods Ended September 30,		
	2005	2004	% Change
	R\$ million (unaudited)		
Selling expenses	(1,790.9)	(1,318.6)	35.8%
General and administrative expenses	(455.1)	(506.1)	-10.1%
Other net operating expenses	(287.0)	(151.9)	88.9%
Operating expenses	(2,533.0)	(1,976.6)	28.1%

TCP's operating expenses increased 28.1% to R\$2,533.0 million in the nine months ended September 30, 2005 from R\$1,976.6 million in the nine months ended September 30, 2004. The increase resulted primarily from an increase in selling expenses and other net operating expenses driven by the highly competitive environment and an increase in goodwill amortization, respectively.

Selling expenses. Selling expenses increased 35.8% to R\$1,790.9 million for the nine months ended September 30, 2005 from R\$1,318.6 million for the nine months ended September 30, 2004. This increase was principally due to increases in marketing expenses and expenses for third-party services (such as marketing, client care and call center services); expenses for depreciation of stores, equipment and other assets; and increases in the provision for doubtful accounts. Provisions for doubtful accounts increased 104.1% to R\$265.5 million for the nine months ended September 30, 2005 from R\$130.1 million for the nine months ended September 30, 2004, mainly due to an increase in our customer base and to the incorrect use of our network. As a result of this increase, provisions for doubtful accounts were 3.5% of gross revenues for the nine months ended September 30, 2005, compared to 1.8% of gross revenues for the nine months ended September 30, 2004.

General and administrative expenses. General and administrative expenses decreased 10.1% to R\$455.1 million for the nine months ended September 30, 2005 from R\$506.1 million for the nine months ended September 30, 2004, primarily due to savings on third-party services after renegotiations of contracts.

Other net operating expense (income). TCP recorded other net operating expense of R\$287.0 million for the nine months ended September 30, 2005, compared to other net operating expense of R\$151.9 million in the nine months ended September 30, 2004, principally due to the

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amortization of goodwill generated in the acquisition of TCO and Global Telecom. The amortization period for goodwill generated by the Global Telecom acquisition began in January 2005, and TCP acquired additional shares of TCO in October 2004, increasing amortizable goodwill relating to TCO.

Table of Contents*Net Financial Income (Expense)*

The following table sets forth the components of TCP's net financial expense for the periods indicated, as well as percentage change of each component from period to period.

	Nine-Month Periods		
	Ended September		
	2005	2004	% Change
	R\$ millions (unaudited)		
Financial income	208.2	163.4	27.4%
Foreign currency exchange gains, net.	537.9	64.8	730.1%
Net losses on foreign currency derivative contracts	(978.9)	(476.4)	105.5%
Financial expenses	(451.1)	(503.1)	-10.3%
Financial expense, net	(683.9)	(751.3)	-9.0%

Net financial expense decreased 9.0% to R\$683.9 million in the nine months ended September 30, 2005 from R\$751.3 million in the nine months ended September 30, 2004. Financial expenses also decreased due to more favorable rates obtained upon the renegotiation of financing transactions.

Income Taxes

Income taxes decreased 9.6% to R\$265.8 million for the nine months ended September 30, 2005 from R\$294.0 million for the nine months ended September 30, 2004. The decrease was principally due to the decrease in taxable income at the level of Telesp Celular. In spite of the loss before minority interests and taxes of R\$192.8 million that we recorded for the nine months ended September 30, 2005, we recorded income taxes in the period because of the taxable income of Telesp Celular and TCO. According to Brazilian tax law, losses from consolidated entities cannot be used to offset income of other consolidated entities.

Net Loss

As a result of the foregoing, TCP recorded a net loss of R\$591.6 million for the nine months ended September 30, 2005, compared with a net loss of R\$255.5 million for the nine months ended September 30, 2004.

TCP's Segments

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The following tables set forth certain information on TCP s reportable segments for the periods indicated.

Company reportable segments as of September 30, 2005

	Telesp Celular	Global Telecom	TCO	Other	Eliminations	Consolidated
R\$ millions (unaudited)						
Net operating revenue	3,187.0	602.5	1,702.2			5,491.7
Operating income (loss)	228.5	(219.3)	216.4	(339.0)	(91.4)	(204.8)
Net income (loss)	125.4	(219.4)	58.4	(423.1)	(132.9)	(591.6)
Total assets	5,937.3	2,632.3	4,787.2	443.6	(269.3)	13,531.1

Company reportable segments as of September 30, 2004

	Telesp Celular	Global Telecom	TCO	Other	Eliminations	Consolidated
R\$ millions (unaudited)						
Net operating revenue	3,195.9	590.4	1,601.5			5,387.8
Operating income (loss)	534.2	(153.5)	369.4	(43.2)	(400.4)	306.5
Net income (loss)	440.0	(150.8)	161.7	(440.2)	(266.2)	(255.5)
Total assets	6,107.4	3,563.1	4,223.0	980.8	(743.1)	14,131.2

Table of Contents*Global Telecom*

The following table sets forth certain components of Global Telecom's income for the periods indicated.

	Nine-Month Periods, Ended September 30,		% Change
	2005	2004	
	R\$ millions (unaudited)		
Net operating revenue	602.5	590.4	2.0%
Cost of services and goods	(386.1)	(404.4)	-4.5%
Gross profit	216.4	186.0	16.3%
Operating expenses			
Selling expenses	(231.3)	(186.7)	23.9%
General and administrative expense	(39.7)	(45.5)	-12.7%
Other net operating (expense) income	(48.4)	(22.0)	120.0%
Operating income before losses of unconsolidated affiliates and net financial expense	(103.0)	(68.2)	51.0%
Net Financial expense	(73.7)	(85.3)	-13.6%
Operating loss	(176.7)	(153.5)	15.1%
Net non-operating (expense) income		0.4	n.a.
Loss before minority interests and taxes	(176.7)	(153.1)	15.4%
Income taxes		2.3	n.a.
Net loss	(176.7)	(150.8)	17.2%

Net Operating Revenue. The net operating revenue of Global Telecom increased 2.0% to R\$602.5 million for the nine months ended September 30, 2005, from R\$590.4 million for the nine months ended September 30, 2004. This increase reflects a 27.3% increase in revenue from usage charges, a 93.3% increase in revenue from monthly subscription charges and a 69.9% increase in other revenue due to the increase in the use of data-related services such as SMS text message services, wireless internet services and other value-added services, partially offset by a 18.0% reduction in the revenue from sales of handsets and accessories and a 9.0% reduction in revenue from interconnection fees.

Cost of Services and Goods. Cost of services and goods decreased 4.5% to R\$386.1 million for the nine months ended September 30, 2005 from R\$404.4 million for the nine months ended September 30, 2004, principally due to a 27.7% reduction in the cost of handsets and accessories, partially offset by a 47.7% increase in Fistel and other tax expenses (due primarily to the 22.9% growth in the client base) and by a 10.1% increase in depreciation and amortization expenses. The gross profit margin (gross profit as a percentage of net revenues) was 35.9% for the nine months ended September 30, 2005, compared to 31.5% for nine months ended September 30, 2004.

Operating expenses. Global Telecom's operating expenses increased 25.6% to R\$319.4 million in the nine months ended September 30, 2005 from R\$254.2 million in the nine months ended September 30, 2004. The increase resulted mainly from a 23.9% increase in selling expenses, which reached R\$231.3 million in the first nine months of 2005, compared to the R\$186.7 million in the first nine months of 2004. This increase in selling expenses was principally due to an increase in expenses related to outsourced services (such as marketing) and in the provision for doubtful accounts. This increase was partially offset by a 12.7% decrease in general and administrative expenses to R\$39.7 million in the nine months ended September 30, 2005 from R\$45.5 million in the same period of 2004, principally due to a reduction in depreciation and amortization expenses.

Operating Loss. Global Telecom recorded an operating loss of R\$176.7 million for the nine months ended September 30, 2005, compared to an operating loss of R\$153.5 million for the nine months ended September 30, 2004, principally due to the increase of the operating expenses described above.

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Net Loss. As a result of the foregoing, Global Telecom recorded a net loss of R\$176.7 for the nine months ended September 30, 2005, compared with a net loss of R\$150.8 million for the nine months ended September 30, 2004.

Telesp Celular

The following table sets forth certain components of Telesp Celular's income for the periods indicated.

	Nine-Month Periods Ended September 30,		% Change
	2005	2004	
	R\$ millions (unaudited)		
Net operating revenue	3,187.0	3,195.9	-0.3%
Cost of services and goods	(1,364.2)	(1,329.7)	2.6%
Gross profit	1,822.8	1,866.2	-2.3%
Operating expenses:			
Selling expenses	(1,059.8)	(791.8)	33.8%
General and administrative expense	(274.4)	(340.5)	-19.4%
Other net operating (expense) income	13.3	7.6	75.0%
Operating income before losses of unconsolidated affiliates and net financial expense	501.9	741.5	-32.3%
Net Financial expense	(273.4)	(207.3)	31.9%
Operating gain	228.5	534.2	-57.2%
Net non-operating (expense) income	1.7	(0.4)	n.a.
Loss before minority interests and taxes	230.2	533.8	-56.9%
Income taxes	(104.8)	(93.8)	11.7%
Net gain	125.4	440.0	-71.5%

Net Operating Revenue. The net operating revenue of Telesp Celular decreased 0.3% to R\$3,187.0 million for the nine months ended September 30, 2005 from R\$3,195.9 million for the nine months ended September 30, 2004, principally due to a 46.8% decrease in revenue from monthly subscription charges due to the particularly intense competition in Telesp Celular's region. This decrease was offset by a 9.3% increase in revenue from usage charges and a 7.6% increase in revenue from sales of handsets and accessories.

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Cost of Services and Goods. Cost of services and goods increased 2.6% to R\$1,364.2 million for the nine months ended September 30, 2005 from R\$1,329.7 million for the nine months ended September 30, 2004, principally due to a 8.2% increase in the cost of third-party services (such as call center, customer service and maintenance), and a 22.3% increase in Fistel and other tax expenses caused by the 14.0% increase in the customer base. These increases were partially offset by a 23.5% reduction in interconnection expenses. The gross profit margin (gross profit as a percentage of net revenues) was 57.2% for the nine months ended September 30, 2005, compared to 58.4% for nine months ended September 30, 2004.

Operating Expenses. Telesp Celular's operating expenses increased 17.4% to R\$1,320.9 million for the nine months ended September 30, 2005 from R\$1,124.7 million for the nine months ended September 30, 2004. The increase resulted mainly from a 33.8% increase in selling expenses to R\$1,059.8 million for the nine months ended September 30, 2005 from R\$791.8 million for the nine months ended September 30, 2004. This increase in selling expenses was mainly due to an increase in expenses related to outsourced services (such as marketing), depreciation expenses and the provision for doubtful accounts. These increases were partially offset by a 19.4% decrease in general and administrative expenses to R\$274.4 million for the nine months ended September 30, 2005 from R\$340.5 million for the nine months ended September 30, 2004. The reduction in general and administrative expenses was principally due to a reduction in consultancy and technical services rendered by

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third parties; a decrease in rental expenses resulting from an increase in the ownership of property; a decrease in insurance and condominium expenses resulting from favorable renegotiations of contracts; and a decrease in income taxes paid by Telesp Celular in accordance with Brazilian tax law on the value of international roaming charges paid to non-Brazilian telecommunications companies.

Operating Income. Telesp Celular recorded operating income of R\$228.5 million for the nine months ended September 30, 2005, compared with operating income of R\$534.2 million for the nine months ended September 30, 2004, principally due to an increase in financial expenses in connection with derivative transactions, partially offset by foreign exchange gains resulting from the appreciation of the *real* in relation to the U.S. dollar during the period.

Net Income. As a result of the foregoing, Telesp Celular recorded operating income of R\$125.4 million for the nine months ended September 30, 2005, compared with operating income of R\$440.0 million for the nine months ended September 30, 2004.

TCO

For a discussion of TCP's TCO segment, see below under "TCO's Results of Operations for the Nine Months Ended September 30, 2004 and 2005."

TCP's Liquidity and Capital Resources

Sources of Funds

TCP generated cash flow from operations of R\$871.6 million and R\$872.4 million in the nine months ended September 30, 2005 and 2004, respectively.

TCP had net cash used in financing activities of R\$95.8 million for the nine months ended September 30, 2005. Although TCP obtained new loans in the aggregate amount of R\$2,708.4 million in that period, these were more than offset by loan repayments of R\$2,225.8 million and net settlements on derivatives contracts of R\$450.1 million.

TCP had R\$3,309.9 million in long-term loans and financing as of September 30, 2005. TCP's R\$1,640.0 million in short-term indebtedness as of September 30, 2005 consisted primarily of funding from financial institutions. At September 30, 2005, TCP had a working capital deficit (current liabilities minus current assets) of R\$442.7 million compared to R\$1,281.5 at December 31, 2004.

TCP's principal assets are the shares of its subsidiaries. TCP relies exclusively on dividends from TCO, Telesp Celular and Global Telecom to meet its cash needs, including the payment of dividends to its shareholders. TCP controls the payment of dividends by TCO, Telesp Celular and Global Telecom, subject to limitations under Brazilian law. There are no contractual restrictions on the payment of dividends by TCP's subsidiaries to it.

TCP believes that its available borrowing capacity, together with funds generated by operations, should provide sufficient liquidity and capital resources to pursue its business strategy for the foreseeable future with respect to working capital, capital expenditures and other operating needs.

Uses of Funds

TCP's principal uses of funds are for capital expenditures and servicing of its debt.

Capital expenditures (including capitalized interest) consumed cash flows of R\$944.8 million in the nine months ended September 30, 2005, compared to R\$901.5 million in the nine months ended September 30, 2004. Repayment of debt consumed cash flows of R\$2,225.8 million and R\$1,199.0 million in the nine months ended September 30, 2005 and 2004, respectively.

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TCP did not pay dividends or interest on shareholders' equity in the nine months ended September 30, 2005 and 2004. The holders of preferred shares have been entitled to exercise voting rights since the 2004 general shareholders' meeting and will continue to be so entitled until TCP pays minimum dividends.

Debt

As of September 30, 2005, TCP's total debt position was as follows:

Debt	Amount Outstanding as of September 30, 2005
	R\$ millions
Financing from financial institutions	4,741.8
Financing from suppliers	3.0
Fixcel (acquisition of TCO)	10.7
Related parties	
Interest	194.4
Total long-term debt, excluding the short-term portion	3,309.9
Short-term debt	1,640.0
Total debt	4,949.9

TCP's long-term debt as of September 30, 2005 matures in accordance with the following schedule. The table below represents only the long-term debt as of September 30, 2005 and does not include the short-term portion of long-term debt as of September 30, 2005, which is included in short-term debt in the table above.

Year Ending December 31,	Principal Amount
	R\$ millions
2006 (from September 30 to December 31)	90.3
2007	1,617.2
2008	547.3
after 2009	1,055.1

As of September 30, 2005, TCP's total debt was R\$4,949.9 million, of which R\$2,970.7 million, or 60%, was denominated in foreign currencies and therefore exposed to currency fluctuations. Of that amount, R\$2,757.5 million was denominated in U.S. dollars (U.S.\$1,240.9 million), R\$162.5 million was denominated in yen (¥8.301.2 million) and R\$50.7 million was denominated in UMBNDES. The UMBNDES is a rate of BNDES, the Brazilian national development bank that reflects the daily exchange fluctuations in the UMBNDES basket of currencies, which are the currencies in which BNDES borrows. Devaluation of the *real* results in exchange losses on foreign currency indebtedness. In order to protect against the risk of devaluation of the *real*, we have entered into over-the-counter derivative transactions with international and domestic financial institutions. In the nine months ended September 30, 2005, our derivatives positions produced a loss of R\$555.8 million, which was partially offset by R\$544.3 million of exchange gains on our foreign currency-denominated debt. At September 30, 2005, we had derivative contracts that covered amounts in excess of our foreign currency-denominated debt.

TCP is exposed to interest rate risk as a consequence of its floating rate debt. At September 30, 2005, approximately 47% of TCP's interest-bearing liabilities bore interest at floating rates, primarily LIBOR for U.S. dollar-denominated debt and CDI, SELIC, TJLP and UMBNDES, for *real*-denominated debt. Accordingly, TCP's financing expenses increase if market interest rates increase. At September 30, 2005, all of TCP's foreign currency derivatives contracts bore interest payments linked to the CDI rate. The CDI rates as of September 30, 2005 and 2004 were 14.09% and 11.72%, respectively.

On May 1, 2005, TCP issued R\$1.0 billion in aggregate principal amount of new debentures. See Issuance of TCP Debentures above.

In addition, TCP's debt as of September 30, 2005 included U.S. dollar-denominated debt issued by several lenders pursuant to Central Bank Resolution No. 2,770, which allows Brazilian banks to make certain U.S. dollar-denominated loans. TCP had U.S.\$973.0 million outstanding under such loans as of September 30, 2005. The loans had an average maturity date of September 2006 and an average interest rate of 4.79%.

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Some of the debt agreements TCP's subsidiaries contain cross-default provisions, restrictions on changes of control and restrictive covenants relating to the incurrence of indebtedness. Financial ratios apply to some indebtedness of Global Telecom and TCO and involve (1) current ratios, (2) capitalization ratios, (3) EBITDA margins, (4) interest coverage ratios and (5) debt to capital ratios. At September 30, 2005, TCP and its subsidiaries were in compliance with their restrictive covenants. See note 14 to TCP's unaudited consolidated financial statements included in this prospectus.

Off-Balance Sheet Arrangements

As of September 30, 2005, there were no off-balance sheet arrangements. All of TCP's majority-owned subsidiaries are included in its consolidated financial statements. TCP does not have any interests in, or relationships with, any special purpose entities that are not reflected in its consolidated financial statements.

U.S. GAAP Reconciliation

TCP prepares its consolidated financial statements in accordance with Brazilian GAAP, which differs in significant respects from U.S. GAAP. Net losses for the nine months ended September 30, 2004 and 2005 were R\$244.3 million and R\$385.5 million, respectively, under U.S. GAAP, compared to net losses of R\$255.5 million and R\$591.6 million, respectively, under Brazilian GAAP. Shareholders' equity at December 31, 2004 and September 30, 2005 was R\$2,735.6 million and R\$4,350.0 million, respectively, under U.S. GAAP, compared to shareholders' equity of R\$2,907.4 million and R\$4,315.8 million, respectively, under Brazilian GAAP. See note 21 to TCP's unaudited consolidated financial statements for a description of the principal differences between Brazilian GAAP and U.S. GAAP as they relate to TCP, and a reconciliation to U.S. GAAP of net losses and total shareholders' equity.

TCO's Consolidated Results of Operations for the Nine Months Ended September 30, 2004 and 2005

The following table sets forth certain components of TCO's income for the periods indicated.

	Nine-Month Periods Ended September 30,		% Change
	2005	2004	
	R\$ millions (unaudited)		
Net operating revenue	1,702.2	1,601.5	6.3%
Cost of services and goods	(729.3)	(619.3)	17.8%
Gross profit	972.9	982.2	-0.9%
Operating expenses:			
Selling expenses	(499.7)	(340.1)	46.9%
General and administrative expense	(133.8)	(114.1)	17.3%

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Other net operating income	1.3	6.3	-79.4%
Operating income before net financial expense	340.7	534.3	-36.2%
Net financial expense	93.2	50.9	83.1%
Operating income	433.9	585.2	-25.9%
Net non-operating (expenses) income	3.0	(2.1)	-242.9%
Income before income taxes and minority interest	436.9	583.1	-25.1%
Income taxes	(161.0)	(202.4)	-20.5%
Minority interest		(3.2)	n.a.
Net income	275.9	377.5	-26.9%

Table of Contents*Operating Data*

The following table sets forth certain operating components of TCO.

	Nine-Month Periods Ended		% Change
	September 30,		
	2005	2004	
Total number of customers (in thousands)	6,561	5,307	23.6%
Contract	978	940	4.0%
Prepaid	5,583	4,367	27.8%
Market share(1)	47.0%	53.8%	-6.8 p.p.
Net additions (in thousands)	75	406	-81.5%
Contract	0	-4	n.a.
Prepaid	75	410	-81.7%
Market share of net additions to customer base(1)	10.7%	42.6%	-31.9 p.p.
Market penetration(1)	41.0%	30.3%	10.7 p.p.
Customer acquisition cost, per customer(2) (R\$)	122	121	0.8%
Monthly churn(3)	1.9%	1.8%	0.1 p.p.
Average revenue per user (R\$ per month)	26.5	32.5	-18.5%
Contract	91.0	89.5	1.7%
Prepaid	13.0	16.9	-23.1%
Total minutes used per customer(4)	72	84	-14.3%
Contract	236	224	5.4%
Prepaid	40	50	-20.0%
Employees	1,263	1,380	-8.5%

(1) Source: Anatel

(2) Calculated as follows: (70% marketing expenses + costs of the distribution network + handset subsidy) / gross additions.

(3) The number of customers that leave the company during the period, calculated as a percentage of the simple average of customers at the beginning and end of the period.

(4) Total minutes of calls received and made by the company's customers divided by the average lines in service during the relevant year (including roaming in and excluding roaming out).

Net Operating Revenue

The composition of operating revenues by category of service is presented in TCO's consolidated financial statements and discussed below before deduction of valued-added and other taxes. The following table sets forth the components of TCO's operating revenues for the periods indicated, as well as the percentage change of each component from period to period.

Nine-Month Periods Ended

September 30,

	2005	2004	% Change
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	R\$ million (unaudited)		
Gross operating revenue:			
Usage charges	1,116.9	916.3	21.9%
Sales of handsets and accessories	344.3	330.5	4.2%
Monthly subscription charges	81.7	117.5	-30.5%
Interconnection fees	612.1	643.1	-4.8%
Other	167.4	122.3	36.9%
Total gross operating revenue	2,322.4	2,129.7	9.0%
Value-added and other indirect taxes	(497.6)	(438.8)	13.4%
Sales and services discount and return of goods sold	(122.6)	(89.4)	37.1%
Net operating revenue	1,702.2	1,601.5	6.3%

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Net operating revenue increased 6.3% to R\$1,702.2 million for the nine months ended September 30, 2005 from R\$1,601.5 million for the nine months ended September 30, 2004. The increase in net revenues was principally due to an increase in revenues from usage charges and, to a lesser degree, increases in other revenues and in revenues from sales of handsets and accessories. These increases were partially offset by decreases in revenues from monthly subscription charges and interconnection fees.

Usage charges. Revenues from usage charges increased 21.9% to R\$1,116.9 million for the nine months ended September 30, 2005 from R\$916.3 million for the nine months ended September 30, 2004. This increase was principally due to a 23.6% increase in the customer base to 6.561 million lines in service as of September 30, 2005 from 5.307 million lines in service as of September 30, 2004. In addition, outgoing traffic grew by 9.4%, primarily due to an increase in the customer base subject to contract (who make more outgoing calls than prepaid customers) to 978.0 thousand lines in service subject to contract (included in total lines of service above) as of September 30, 2005 from 940.0 thousand lines as of September 30, 2004.

Sales of handsets and accessories. Revenues from sales of handsets and accessories increased 4.2% to R\$344.3 million for the nine months ended September 30, 2005 from R\$330.5 million for the nine months ended September 30, 2004. This increase was mainly due to the increase in the customer base described above, which resulted in part from promotional campaigns to acquire new customers. Revenues from handset sales are reported before commissions and promotional discounts and include value-added taxes. In general, the purpose of handset sales is to encourage growth in customers and traffic. Accordingly, TCO, like TCP, subsidizes part of the costs of handsets. Although profit margins vary from one handset model to another, on average profit margins are negative after taxes and discounts. The subsidy strategy resulted in a gross loss (calculated as the difference from net operating revenues from sales of handsets and accessories minus the cost of handsets and accessories) for TCO of R\$154.0 million for the nine months ended September 30, 2005, compared to R\$133.0 for the nine months ended September 30, 2004.

Monthly subscription charges. Revenues from monthly subscription charges decreased 30.5% to R\$81.7 million for the nine months ended September 30, 2005 from R\$117.5 million for the nine months ended September 30, 2004. This decrease was principally due to a decrease in customers subject to monthly subscription charges in a highly competitive environment. The decrease also was affected by the introduction of Right Planning loyalty program in May 2004, a program similar to the TCP program of the same name.

Interconnection fees. Revenues from interconnection fees decreased 4.8% to R\$612.1 million for the nine months ended September 30, 2005 from R\$643.1 million for the nine months ended September 30, 2004. This decrease was principally due to the trend toward greater volume of cellular to cellular calls and a reduction in volume of fixed line to cellular calls and to the effect of the partial Bill & Keep system under the SMP regime. The migration of calls away from fixed line services decreases TCO's interconnection fees because the interconnection fees that apply to calls from a fixed line to a cellular line are higher than the fees that apply to calls from a cellular line to another cellular line.

Others. Revenues from other services increased 36.9% to R\$167.4 million for the nine months ended September 30, 2005 from R\$122.3 million for the nine months ended September 30, 2004. The increase was principally due to the increase in TCO's customer base and an increase in the use of data related services by our customers, including text message services, or SMS, wireless internet services and other value-added services. The increase in the use of data services was due in part to increases in internet access, improvements in data service tools, an increase in the number of data transmission-enabled handsets and promotional campaigns to encourage the use of value-added services.

Value-added and other indirect taxes. Value-added and other indirect taxes increased 13.4% to R\$497.6 million for the nine months ended September 30, 2005 from R\$438.8 million for the nine months ended September 30, 2004. This increase occurred principally because of the increase in gross operating revenues other than from interconnection fees (which are not subject to these taxes). These value-added and other indirect taxes

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are the same taxes as those that apply to TCP. Value-added taxes and other indirect taxes were 21.4% of TCO's gross operating revenue in the nine months ended September 30, 2005, compared to 20.6% in the nine months ended September 30, 2004. The effective rate of taxes on gross operating revenues varies depending on the composition of TCO's revenues.

Sales and services discount and returns of goods sold. Discounts and returns increased 37.1% to R\$122.6 million for the nine months ended September 30, 2005 from R\$89.4 million for the nine months ended September 30, 2004. This increase was principally due to an increase in discounts on handsets and accessories in response to aggressive competition from other providers. Sales and services discounts and returns of good sold represented 4.2% and 5.3%, respectively, of TCO's gross operating revenues for the nine months ended September 30, 2004 and 2005.

Cost of Services and Goods

The following table sets forth the components of TCO's costs of services and goods sold for the periods indicated, as well as the percentage change of each component from period to period.

	Nine-Month Periods Ended		
	September 30,		
	2005	2004	% Change
	R\$ million (unaudited)		
Depreciation and amortization	(139.5)	(114.9)	21.4%
Material and services	(64.9)	(49.3)	31.6%
Interconnection charges	(42.8)	(59.2)	-27.7%
Personnel	(17.9)	(15.9)	12.6%
Rental, insurance and other related expenses	(10.7)	(12.7)	-15.7%
Cost of handsets and accessories	(372.6)	(360.1)	3.5%
Fistel and other taxes	(80.9)	(7.2)	n.a.
Cost of services and goods	(729.3)	(619.3)	17.8%

TCO's cost of services and goods increased 17.8% to R\$729.3 million for the nine months ended September 30, 2005 from R\$619.3 million for the nine months ended September 30, 2004. The increase was principally due to increases in taxes and, to a lesser degree, increases in depreciation and amortization, the cost of third-party services and the cost of handsets and accessories. The gross profit margin (gross profit as a percentage of net revenues) was 57.2% for the nine months ended September 30, 2005, compared to 61.3% for the nine months ended September 30, 2004.

Depreciation and Amortization. Depreciation and amortization expenses increased 21.4% to R\$139.5 million for the nine months ended September 30, 2005 from R\$114.9 million for the nine months ended September 30, 2004. The increase was principally due to investments to overlay TCO's older TDMA network with a more advanced CDMA network and to improve technical support systems, such as electronic billing and tracking systems. These investments increased TCO's depreciable assets and hence its depreciation costs.

Materials and services. Materials and services include cost of materials and services received from third-parties, including network usage charges paid to other cellular telecommunications service providers, to fixed-line companies and carriers for the completion on their networks of calls originated by TCO's customers. Cost of materials and services increased 31.6% to R\$64.9 million for the nine months ended September 30, 2005 from R\$49.3 million for the nine months ended September 30, 2004. The increase was principally due to increases in the cost of third-party services and rental payments, such as network maintenance services and the costs of rented circuits and transmission lines. The cost of rented transmission lines increases as TCO expands its network, particularly as TCO operates in a large region in which signals must be transmitted over long distances. In addition, TCO incurred costs in the nine months ended September 30, 2005 in connection with overlaying its TDMA network with a CDMA network.

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Interconnection charges. Interconnection charges include the charges that TCO pays to other telecommunications providers for the use of their networks to complete local and long-distance calls that originate from TCO's network. Interconnection charges decreased 27.7% to R\$42.8 million for the nine months ended September 30, 2005 from R\$59.2 million for the nine months ended September 30, 2004, primarily due to the effects of the SMP regime and the partial Bill & Keep billing system.

Personnel. Personnel expenses increased 12.6% to R\$17.9 million for the nine months ended September 30, 2005 from R\$15.9 million for the nine months ended September 30, 2004. This increase was principally due to an approximate 6% increase in salaries under the terms of TCO's collective bargaining agreement, which it renegotiates annually to take effect on November 1 and due to training program costs

Rentals, insurance and other related expenses. Rentals, insurance and condominium fees decreased 15.7% to R\$10.7 million for the nine months ended September 30, 2005 from R\$12.7 million for the nine months ended September 30, 2004. The decrease was principally due to the termination of leases on certain infrastructure in the nine months ended September 30, 2005.

Cost of handsets and accessories. The cost of handsets and accessories increased 3.5% to R\$372.6 million for the nine months ended September 30, 2005 from R\$360.1 million for the nine months ended September 30, 2004. The increase was principally due to increases in the average prices of handsets sold relating to the improved quality and features of the handsets.

Fistel and other taxes. Fistel and other tax expenses increased to R\$80.9 million for the nine months ended September 30, 2005 from R\$7.2 million for the nine months ended September 30, 2004. The increase was principally due to a change in accounting policy at TCO to bring TCO's accounting for Fistel and other taxes in line with that of TCP. Beginning in January of 2005, TCO began to accrue amounts monthly for these taxes, as is TCP's policy, rather than recognize the entire amount of the taxes in December of a given fiscal year.

Operating Expenses

The following table sets forth the components of TCO's operating expenses for the periods indicated, as well as the percentage change of each component from period to period.

	Nine-Month Periods Ended		
	September 30,		
	2005	2004	% Change
	R\$ million (unaudited)		
Selling expenses	(499.7)	(340.1)	46.9%
General and administrative expenses	(133.8)	(114.1)	17.3%
Other net operating income, net	1.3	6.3	-79.4%
Operating expenses	(632.2)	(447.9)	41.1%

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Operating expenses increased 41.1% to R\$632.2 million for the nine months ended September 30, 2005 from R\$447.9 million for the nine months ended September 30, 2004. The increase resulted mainly from the increase in selling expenses in the face of aggressive competition and, to a lesser degree, an increase in general and administrative expenses.

Selling expenses. Selling expenses increased 46.9% to R\$499.7 million for the nine months ended September 30, 2005 from R\$340.1 million for the nine months ended September 30, 2004. The increase was principally due to an increase in third-party marketing and promotional services in a highly competitive environment and an increase in commissions paid to independent distributors, which increase with the number of handsets sold. In addition, the migration of customers toward CDMA service led to higher depreciation costs on returned handsets. TCO's provision for doubtful accounts also increased 126.8% to R\$111.6 million for the nine

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months ended September 30, 2005 from R\$49.2 million for the nine months ended September 30, 2004, mainly due to an increase in the customer base and the incorrect use of TCO's network. As a result of this increase, provisions for doubtful accounts were 4.8% of gross revenues for the nine months ended September 30, 2005, compared to 2.3% of gross revenues for the nine months ended September 30, 2004.

General and administrative expenses. General and administrative expenses increased 17.3% to R\$133.8 million for the nine months ended September 30, 2005 from R\$114.1 million for the nine months ended September 30, 2004. The increase was principally due to a 50.1% increase in third-party services and rental, insurance and condominium fees relating to infrastructure. These increases were partially offset by a reduction in depreciation and amortization expenses; a decrease in administrative personnel expenses; and decrease in income taxes paid by TCO in accordance with Brazilian tax law on the value of international roaming charges paid to non-Brazilian telecommunications companies.

Other net operating (expense) income. For the nine months ended September 30, 2005, TCO had other net operating income of R\$1.3 million, compared to other net operating income of R\$6.3 million for the nine months ended September 30, 2004. The other net operating income in the nine months ended September 30, 2005 was mainly due to amounts recovered in litigation, handset manufacturers' incentives and rental income from the sites of our radio-base stations, where TCO sometimes rents space to other providers, partially offset by an increase in reserves for civil litigation and an increase in ICMS taxes on other income.

Net Financial Income (Expense)

The following table sets forth the components of TCO's net financial income for the periods indicated, as well as the percentage change of each component from period to period.

	Nine-Month Periods Ended September 30,		% Change
	2005	2004	
	R\$ millions (unaudited)		
Financial income	145.9	119.1	22.5%
Exchange gain and losses	7.5	(22.3)	n.a.
Net losses on foreign currency derivative contracts	(19.9)	(6.8)	192.6%
Financial expenses	(40.3)	(39.1)	3.1%
Financial income, net	93.2	50.9	83.1%

TCO had net financial income of R\$93.2 million for the nine months ended September 30, 2005, compared to net financial income of R\$50.9 million for the nine months ended September 30, 2004. This change was due in part to an increase in the average CDI rate to 14.09% for the nine months ended September 30, 2005 from 11.72% for the nine months ended September 30, 2004, which led to increased financial income on higher average cash balances during the period.

Income and Social Contribution Taxes

Income and social contribution expenses decreased 20.5% to R\$161.0 million for the nine months ended September 30, 2005 from R\$202.4 million for the nine months ended September 30, 2004. The decrease was principally due to the reduction in income before taxes and minority interest. TCO's effective tax rate was 36.9% and 34.7% for the nine months ended September 30, 2005 and 2004, respectively.

Net Income

As a result of the foregoing, TCO recorded net income of R\$275.9 million for the nine months ended September 30, 2005, compared to R\$377.5 million for the nine months ended September 30, 2004.

Table of Contents***TCO's Liquidity and Capital Resources****Sources of Funds*

TCO generated cash flow from operations of R\$373.8 million and R\$459.4 million in the nine months ended September 30, 2005 and 2004, respectively.

TCO had net cash used in financing activities of R\$41.9 million in the nine months ended September 30, 2005, compared to net cash used in financing activities of R\$104.0 million in the nine months ended September 30, 2004. In the nine months ended September 30, 2005, net cash used in financing activities included loan repayments of R\$70.2 million and a credit to shareholders in the amount of R\$41.8 million relating to fractional shares which were sold in an auction in connection with a reverse stock split and which were not claimed by shareholders at such time.

TCO had R\$62.5 million in long-term loans and financing as of September 30, 2005. TCO's R\$78.2 million in short-term indebtedness as of September 30, 2005 consisted primarily of funding from financial institutions. At September 30, 2005 and December 31, 2004, TCO had working capital (current assets minus current liabilities) of R\$1,417.9 million and R\$1,078.2 million respectively.

We believe that TCO's available borrowing capacity, together with funds generated by operations, should provide sufficient liquidity and capital resources to pursue TCO's business strategy for the foreseeable future with respect to working capital, capital expenditures and other operating needs.

Uses of Funds

TCO's principal uses of funds are for capital expenditures, servicing of its debt and payments of dividends to shareholders.

Capital expenditures (including capitalized interest) consumed cash flows of R\$216.9 million in the nine months ended September 30, 2005, compared to R\$288.1 million in the nine months ended September 30, 2004. Repayment of debt consumed cash flows of R\$70.2 million and R\$137.2 million in the nine months ended September 30, 2005 and 2004, respectively.

	Nine Months Ended September 30,	
	2005	2004
	(R\$ millions)	
Switching equipment	55.5	110.2
Transmission equipment	89.1	112.7

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Information Technology	7.7	7.4
Others	64.6	57.8
	<u> </u>	<u> </u>
Total capital expenditures	216.9	288.1

TCO did not pay dividends or interest on shareholders' equity in the nine months ended September 30, 2005 and 2004.

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As of September 30, 2005, TCO's total debt position was as follows:

Debt	Amount Outstanding as of September 30, 2005
	R\$ million
Financing from banks	139.0
Interest	1.7
Related parties	
Total long-term debt, excluding the short-term portion	62.5
Short-term debt	78.2
Total debt	140.7

TCO's long-term debt as of September 30, 2005 matures in accordance with the following schedule. The table below represents only the long-term debt as of September 30, 2005 and does not include the short-term portion of long-term debt as of September 30, 2005, which is included in short-term debt in the table above.

Year Ending December 31,	Principal Amount
	(R\$ millions)
2006 (from September 30 to December 31)	20.8
2007	38.2
2008	3.5

As of September 30, 2005, TCO's total debt was R\$140.7 million, of which R\$49.3 million, or 35%, was denominated in foreign currencies and therefore exposed to currency fluctuations. Of that amount, R\$42.3 million was denominated in U.S. dollars (U.S.\$ 19.0 million) and R\$7.0 million was denominated in UMBNDES. Devaluation of the *real* results in exchange losses on foreign currency indebtedness. In order to protect against the risk of devaluation of the *real*, TCO has entered into over-the-counter derivatives transactions with international and domestic financial institutions. In the nine months ended September 30, 2005, TCO's derivatives positions produced a loss of R\$28.2 million, which was partially offset by the R\$11.4 million of exchange gains on TCO's foreign currency-denominated debt. At September 30, 2005, TCO had derivative contracts that covered amounts in excess of TCO's foreign currency-denominated debt.

TCO is exposed to interest rate risk as a consequence of its floating rate debt. At September 30, 2005, approximately 98% of TCO's interest-bearing liabilities bore interest at floating rates, primarily LIBOR for U.S. dollar-denominated debt, and TJLP and UMBNDES for *real*-denominated debt. Accordingly, TCO's financing expenses increase if market interest rates increase. At September 30, 2005, 100% of TCO's foreign currency derivatives contracts bore interest payments linked to the CDI rate. TCO monitors interest rate movements and frequently reassesses whether to enter into additional foreign currency derivatives to hedge its remaining interest rate risk.

Some of the debt agreements of TCO and its subsidiaries contain cross-default provisions, restrictions on changes of control and restrictive covenants relating to the incurrence of indebtedness. Financial ratios involve (1) current ratios, (2) capitalization ratios, (3) EBITDA margins, (4) interest coverage ratios and (5) debt to capital ratios. At September 30, 2005, TCO and its subsidiaries were in compliance with their restrictive covenants. See note 14 to TCO's unaudited consolidated financial statements included in this prospectus.

Off-Balance Sheet Arrangements

As of September 30, 2005, there were no off-balance sheet arrangements. All of TCO's majority-owned subsidiaries are included in its consolidated financial statements. TCO does not have any interests in, or relationships with, any special purpose entities that are not reflected in its consolidated financial statements.

Table of Contents*U.S. GAAP Reconciliation*

TCO prepares its consolidated financial statements in accordance with Brazilian GAAP, which differs in significant respects from U.S. GAAP. Net income for the nine months ended September 30, 2004 and 2005 was R\$349.8 million and R\$283.7 million, respectively, under U.S. GAAP, compared to net income of R\$377.5 million and R\$275.8 million, respectively, under Brazilian GAAP. Shareholders' equity at December 31, 2004 and September 30, 2005 was R\$2,493.3 million and R\$2,859.3 million, respectively, under U.S. GAAP, compared to shareholders' equity of R\$2,441.5 million and R\$2,835.3 million, respectively, under Brazilian GAAP. See note 21 to TCO's unaudited consolidated financial statements for a description of the principal differences between Brazilian GAAP and U.S. GAAP as they relate to TCO, and a reconciliation to U.S. GAAP of net losses and total shareholders' equity.

TLE's Consolidated Results of Operations for the Nine Months Ended September 30, 2004 and 2005

The following table sets forth certain components of TLE's income for the periods indicated.

	Nine-Month Periods Ended September 30,		% Change
	2005	2004	
	R\$ millions (unaudited)		
Net operating revenue	418.7	351.6	19.1%
Cost of services and goods	(233.4)	(204.5)	14.1%
Gross profit	185.3	147.1	26.0%
Operating expenses:			
Selling expenses	(141.8)	(103.7)	36.7%
General and administrative expenses	(42.8)	(41.8)	2.4%
Other net operating expenses	(4.7)	(4.2)	11.9%
Operating income before net financial expense	(4.0)	(2.6)	53.8%
Net financial expense	(44.7)	(14.5)	208.3%
Operating loss	(48.7)	(17.1)	184.8%
Net non-operating (expenses) income	0.2	(0.5)	-140.0%
Loss before income taxes	(48.5)	(17.6)	175.6%
Income taxes	(6.0)	(4.7)	27.7%
Net loss	(54.5)	(22.3)	144.4%

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The following table sets forth certain operating components of TLE.

	Nine-Month Period Ended September 30,		% Change
	2005	2004	
Total number of customers (in thousands)	1,437	1,264	13.7%
Contract	319	283	12.7%
Prepaid	1,118	981	14.0%
Market Share(1)	34.4%	45.6%	-11.2 p.p.
Net additions (in thousands)	15	24	-37.5%
Contract	4	3	33.3%
Prepaid	11	21	-47.6%
Market Share of net additions to customer base(1)	4.1%	9.9%	-5.8 p.p.
Market penetration(1)	26.7%	17.9%	8.8 p.p.
Customer acquisition cost, per customer(2) (R\$)	109	117	-6.8%
Monthly churn(3)	2.9%	3.2%	0.3 p.p.
Average revenue per user (R\$ per month)	28.1	28.8	-2.4%
Contract	75.7	74.7	1.3%
Prepaid	13.5	14.2	-4.9%
Total minutes used per customer(4)	88	88	
Contract	235	200	17.5%
Prepaid	44	52	-15.4%
Employees	357	377	-5.3%

(1) Source: Anatel

(2) Calculated as follows: (70% marketing expenses + costs of the distribution network + handset subsidy) / gross additions.

(3) The number of customers that leave the company during the period, calculated as a percentage of the simple average of customers at the beginning and end of the period.

(4) Total minutes of calls received and made by the company's customers divided by the average lines in service during the relevant year (including roaming in and excluding roaming out).

Net Operating Revenue

The composition of operating revenues by category of service is presented in TLE's consolidated financial statements and discussed below before deduction of value-added and other taxes. The following table sets forth the components of TLE's operating revenues for the periods indicated, as well as the percentage change of each component from period to period.

	Nine-Month Periods ended		% Change
	2005	2004	
	R\$ millions (unaudited)		

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Gross operating revenue:			
Usage charges	255.6	200.6	27.4%
Sales of handsets and accessories	145.9	103.3	41.2%
Monthly subscription charges	24.4	29.5	-17.3%
Interconnection fees	156.3	148.1	5.5%
Other	36.1	22.6	59.7%
	<u> </u>	<u> </u>	
Total gross operating revenue	618.3	504.1	22.7%
	<u> </u>	<u> </u>	
Value-added and other indirect taxes	(117.1)	(99.1)	18.2%
Sales and services discount and return of goods sold	(82.5)	(53.4)	54.5%
	<u> </u>	<u> </u>	
Net operating revenue	418.7	351.6	19.1%
	<u> </u>	<u> </u>	

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Net operating revenue increased 19.1% to R\$418.7 million for the nine months ended September 30, 2005 from R\$351.6 million for the nine months ended September 30, 2004. The increase in net revenues was principally due to an increase in revenues from usage charges, sales of handsets and accessories and, to a lesser degree, interconnection fees and other revenues.

Usage charges. Revenues from usage charges increased 27.4% to R\$255.6 million for the nine months ended September 30, 2005 from R\$200.6 million for the nine months ended September 30, 2004, primarily due to a 13.7% increase in the customer base to 1.437 million lines in service as of September 30, 2005 from 1.264 million lines in service as of September 30, 2004. In addition, outgoing traffic also grew by 18.3% mainly due to an increase in the customer base subject to contract (who make more outgoing calls than prepaid customers) to 319 thousand lines in service subject to contract (included in the total lines of service above) as of September 30, 2005 from 283 thousand lines as of September 30, 2004.

Sales of handsets and accessories. Revenues from sales of handsets and accessories increased 41.2% to R\$145.9 million for the nine months ended September 30, 2005 from R\$103.3 million for the nine months ended September 30, 2004. This increase was mainly due to an increase in the customer base described above, which resulted in part from promotional campaigns to acquire new customers. Revenues from handset sales are reported before commissions and promotional discounts and include value-added taxes. In general, the purpose of handset sales is to encourage growth in customers and traffic. Accordingly, TLE, like TCP, subsidizes part of the costs of handsets. Although profit margins vary from one handset model to another and from time to time, on average profit margins are negative after taxes and discounts. The subsidy strategy resulted in a gross loss (calculated as the difference from net operating revenues from sales of handsets and accessories minus the cost of handsets and accessories) for TLE of R\$40.9 million for the nine months ended September 30, 2005, compared to R\$40.8 for the nine months ended September 30, 2004.

Monthly subscription charges. Revenues from monthly subscription charges decreased 17.3% to R\$24.4 million for the nine months ended September 30, 2005 from R\$29.5 million for the nine months ended September 30, 2004. This decrease was principally due to increased competition and the impact of TLE's Right Planning loyalty program, which was introduced in May 2004 and is similar to the TCP program of the same name. Under this program, TLE tailors its contracts to the usage needs of its contract customers, seeking to provide competitive prices based on their individual profiles. This program intends to increase the loyalty of TLE's customers.

Interconnection fees. Revenues from network usage charges increased 5.5% to R\$156.3 million for the nine months ended September 30, 2005 from R\$148.1 million for the nine months ended September 30, 2004. This increase was principally due to increases in the inbound traffic entering the network, primarily from long-distance calls.

Others. Revenues from other services increased 59.7% to R\$36.1 million for the nine months ended September 30, 2005 from R\$22.6 million for the nine months ended September 30, 2004. The increase was principally due to the increase in TLE's customer base and an increase in the use of data services by our customers, including text message services, or SMS, wireless internet services and other value-added services. The increase in the use of data services was due in part to increases in internet access, improvements in data service tools, an increase in the number of data transmission-enabled handsets and promotional campaigns to encourage the use of value-added services.

Value-added and other indirect taxes. Value-added and other indirect taxes increased 18.2% to R\$117.1 million for the nine months ended September 30, 2005 from R\$99.1 million for the nine months ended September 30, 2004. This increase occurred principally because of the increase in gross operating revenues other than from interconnection fees (which are not subject to these taxes). These value-added and other indirect taxes are the same taxes as those that apply to TCP. Value-added taxes and other indirect taxes were 18.9% of TLE's gross operating revenue in the nine months ended September 30, 2005, compared to 19.7% in the nine months ended September 30, 2004. The effective rate of taxes on gross operating revenues varies depending on the composition of TLE's revenues.

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Sales and services discount and returns of goods sold. Deductions from operating revenues include discounts on cellular handset sales, discounts on services and returns of goods sold. Discounts and returns increased 54.5% to R\$82.5 million for the nine months ended September 30, 2005 from R\$53.4 million for the nine months ended September 30, 2004. The increase was principally due to increases in discounts on handsets and accessories targeted at lower income customers in response to aggressive competition from other providers. Sales and services discounts and returns of good sold represented 10.6% and 13.3%, respectively, of TLE's gross operating revenues for the nine months ended September 30, 2004 and 2005.

Cost of Services and Goods

The following table sets forth the components of TLE's costs of services and goods sold for the periods indicated, as well as the percentage change of each component from period to period.

	Nine-Months Periods ended September		% Change
	2005	2004	
	R\$ million (unaudited)		
Depreciation and amortization	(53.2)	(56.2)	-5.3%
Materials and services	(34.0)	(26.7)	27.3%
Interconnection charges	(11.5)	(12.6)	-8.7%
Personnel	(4.0)	(2.9)	37.9%
Rental, insurance and other related expenses	(10.4)	(8.9)	16.9%
Cost of handsets and accessories	(102.5)	(81.9)	25.2%
Fistel and other taxes	(17.8)	(15.3)	16.3%
Cost of services and goods	(233.4)	(204.5)	14.1%

TLE's cost of services and goods increased 14.1% to R\$233.4 million for the nine months ended September 30, 2005 from R\$204.5 million for the nine months ended September 30, 2004. The increase was principally due to an increase in the cost of handsets and accessories and materials and services. The gross profit margin (gross profit as a percentage of net operating revenues) was 44.3% for the nine months ended September 30, 2005, compared to 41.8% for the nine months ended September 30, 2004.

Depreciation and Amortization. Depreciation and amortization expenses decreased 5.3% to R\$53.2 million for the nine months ended September 30, 2005 from R\$56.2 million for the nine months ended September 30, 2004. The decrease was principally due to the end of the period of depreciation for certain assets.

Materials and services. Materials and services include the cost of materials and services received from third-parties, including network usage charges paid to other cellular telecommunications service providers, to fixed-line companies and carriers for the completion on their networks of calls originated by TLE's customers. Cost of materials and services increased 27.3% to R\$34.0 million for the nine months ended September 30, 2005 from R\$26.7 million for the nine months ended September 30, 2004. The increase was principally due to increases in the cost of third-party services and rental payments, such as network maintenance services and the costs of rented circuits and transmission lines, resulting mainly from the increase in the customer base, greater penetration of TLE's network in its region and efforts to increase the quality of the services provided (such as improved coverage).

Interconnection charges. Interconnection charges include the charges that TLE pays to other telecommunications providers for the use of their networks to complete local and long-distance calls that originate from TLE's network. Interconnection charges decreased 8.7% to R\$11.5 million for the nine months ended September 30, 2005 from R\$12.6 million for the nine months ended September 30, 2004, primarily due to the effects of the SMP regime and the partial Bill & Keep billing system.

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Personnel. Personnel expenses increased 37.9% to R\$4.0 million for the nine months ended September 30, 2005 from R\$2.9 million for the nine months ended September 30, 2004. This increase was principally due to an approximate 6.0% increase in salaries under the terms of TLE s collective bargaining agreement, which is renegotiated annually to take effect on November 1, and due to training program costs.

Rentals, insurance and other related expenses. Rentals, insurance and condominium fees increased 16.9% to R\$10.4 million for the nine months ended September 30, 2005 from R\$8.9 million for the nine months ended September 30, 2004. This increase was principally due to the expansion of TLE s network and the renegotiation of contracts.

Cost of handsets and accessories. The cost of handsets and accessories increased 25.2% to R\$102.5 million for the nine months ended September 30, 2005 from R\$81.9 million for the nine months ended September 30, 2004. The increase was principally due to the increase in the customer base, as well as an increase in the average prices of handsets sold related to marketing efforts.

Fistel and other taxes. Fistel and other tax expenses increased 16.3% to R\$17.8 million for the nine months ended September 30, 2005 from R\$15.3 million for the nine months ended September 30, 2004. The increase was principally due to the increase in the customer base.

Operating Expenses

The following table sets forth the components of TLE s operating expenses for the periods indicated, as well as the percentage change of each component from period to period.

	Nine-Month Periods ended		% Change
	2005	2004	
	R\$ million (unaudited)		
Selling expenses	(141.8)	(103.7)	36.7%
General and Administrative expenses	(42.8)	(41.8)	2.4%
Other net operating expenses	(4.7)	(4.2)	11.9%
Operating expenses	(189.3)	(149.7)	26.5%

Operating expenses increased 26.5% to R\$189.3 million for the nine months ended September 30, 2005 from R\$149.7 million for the nine months ended September 30, 2004. The increase resulted mainly from the increase in selling expenses to face aggressive competition in the market.

Selling expenses. Selling expenses increased 36.7% to R\$141.8 million for the nine months ended September 30, 2005 from R\$103.7 million for the nine months ended September 30, 2004. The increase was principally due to an increase in third-party services (such as marketing and promotional services) in a highly competitive environment, an increase in provisions for doubtful accounts, an increase in the customer base and

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commissions to independent distributors in order to attract higher quality customers. TLE's provision for doubtful accounts increased 63.3% to R\$14.7 million for the nine months ended September 30, 2005 from R\$9.0 million for the nine months ended September 30, 2004, principally due to an increase in the customer base and the incorrect use of our network. As a result of this increase, provisions for doubtful accounts were 2.4% of gross revenues for the nine months ended September 30, 2005, compared to 1.8% of gross revenues for the nine months ended September 30, 2004.

General and administrative expenses. General and administrative expenses increased 2.4% to R\$42.8 million for the nine months ended September 30, 2005 from R\$41.8 million for the nine months ended September 30, 2004. The increase was principally due to increases in rental, insurance and condominium fees relating to the expansion of our network.

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Other net operating expense. Other net operating expenses increased 11.9% to R\$4.7 million for the nine months ended September 30, 2005 from R\$4.2 million for the nine months ended September 30, 2004, principally due to an increase in reserves for litigation contingencies, partially offset by an increase in income from handset manufacturers' incentives.

Net Financial Expense

The following table sets forth the components of TLE's net financial expense for the periods indicated, as well as the percentage change of each component from period to period.

	Nine-Months Periods ended		% Change
	2005	2004	
	R\$ million (unaudited)		
Financial income	5.7	2.1	171.4%
Foreign currency exchange gain and losses	53.9	6.8	692.6%
Net losses on foreign currency derivative contracts	(89.4)	(12.2)	632.8%
Financial expenses	(14.9)	(11.2)	33.0%
Financial expense, net	(44.7)	(14.5)	208.3%

TLE had net financial expense of R\$44.7 million for the nine months ended September 30, 2005, compared to net financial expense of R\$14.5 million for the nine months ended September 30, 2004. This change was due in part to an increase in the average CDI rate to 14.09% for the nine months ended September 30, 2005 from 11.72% for the nine months ended September 30, 2004, which led to increased financial expense on higher net debt during the period. TLE also recorded non-recurring interest expense for a fine relating to ICMS tax (state value-added tax) paid in September 2005. TLE recorded a R\$47.1 million increase in exchange gains, which was more than offset by a R\$77.3 million increase in losses on foreign currency derivative contracts from period to period.

Income and Social Contribution Taxes

Income and social contribution tax expenses increased 27.7% to R\$6.0 million for the nine months ended September 30, 2005 from R\$4.7 million for the nine months ended September 30, 2004, respectively. This increase was principally due to an increase in income before income and social contribution taxes at Telergipe, one of TLE's operating subsidiaries. In spite of the loss before income and social contribution taxes of R\$48.5 million that we recorded for the nine months ended September 30, 2005, we recorded income taxes in the period because of the taxable income of Telergipe. According to Brazilian tax law, losses from consolidated entities cannot be used to offset income of other consolidated entities.

Net Loss

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As a result of the foregoing, TLE recorded a net loss of R\$54.5 million for the nine months ended September 30, 2005, compared to R\$22.3 million for the nine months ended September 30, 2004.

TLE's Liquidity and Capital Resources

Sources of Funds

TLE generated cash flow from operations of R\$33.6 million and R\$5.8 million in the nine months ended September 30, 2005 and 2004, respectively.

TLE had net cash used in financing activities of R\$28.7 million in the nine months ended September 30, 2005, compared to net cash provided by financing activities of R\$21.2 million in the nine months ended September 30, 2004. In the nine months ended September 30, 2005, net cash used in financing activities consisted of loan repayments of R\$40.7 million and net settlements on derivative contracts of R\$29.6 million, partially offset by new loans obtained of R\$36.0 million.

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TLE had R\$116.6 million in long-term loans and financing as of September 30, 2005. TLE's R\$146.7 million in short-term indebtedness as of September 30, 2005 consisted primarily of funding from financial institutions. At September 30, 2005, TLE had working capital (current assets minus current liabilities) of R\$109.7 million.

We believe that TLE's available borrowing capacity, together with funds generated by operations, should provide sufficient liquidity and capital resources to pursue TLE's business strategy for the foreseeable future with respect to working capital, capital expenditures and other operating needs.

Uses of Funds

TLE's principal uses of funds are for capital expenditures and servicing of its debt.

Capital expenditures (including capitalized interest) consumed cash flows of R\$63.0 million in the nine months ended September 30, 2005, compared to R\$63.3 million in the nine months ended September 30, 2004. Repayment of debt consumed cash flows of R\$40.7 million and R\$66.6 million in the nine months ended September 30, 2005 and 2004, respectively. TLE did not pay dividends or interest on shareholders equity in the nine months ended September 30, 2005 and 2004, respectively.

	Nine Months Ended September 30,	
	2005	2004
	(R\$ millions)	
Switching equipment	15.3	31.8
Transmission equipment	20.9	15.0
Information Technology	1.9	1.1
Others	24.9	15.4
Total capital expenditures	63.0	63.3

Debt

As of September 30, 2005, TLE's total debt position was as follows:

Debt	Amount Outstanding as of September 30, 2005

	R\$ million
Financing from banks	257.9
Financing from suppliers	0.8
Interest	4.6
Related parties	
Total long-term debt, excluding the short-term portion	116.6
Short-term debt	146.7
Total debt	263.3

TLE s long-term debt as of September 30, 2005 matures in accordance with the following schedule. The table below represents only the long-term debt as of September 30, 2005 and does not include the short-term portion of long-term debt as of September 30, 2005, which is included in short-term debt in the table above.

Year Ending December 31,	Principal Amount
	R\$ millions
2008	116.6

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As of September 30, 2005, TLE's total debt was R\$263.3 million, of which R\$263.3 million, or 100%, was denominated in U.S. dollars (US\$118.5 million) and therefore exposed to currency fluctuations. Devaluation of the *real* results in exchange losses on foreign currency indebtedness. In order to protect against the risk of devaluation of the *real*, TLE has entered into over-the-counter derivatives transactions with international and domestic financial institutions. In the nine months ended September 30, 2005, TLE's derivatives positions produced a loss of R\$89.5 million, which was partially offset by the R\$49.5 million of exchange gains on TLE's foreign currency-denominated debt. At September 30, 2005, TLE had derivative contracts that covered amounts in excess of TLE's foreign currency-denominated debt.

TLE is exposed to interest rate risk as a consequence of TLE's floating rate debt. At September 30, 2005, approximately 44.3% of TLE's interest-bearing liabilities bore interest at floating rates, primarily LIBOR.

In addition, TLE's debt as of September 30, 2005 included U.S. dollar-denominated debt issued by several lenders pursuant to Central Bank Resolution No. 2,770, which allows Brazilian banks to make certain U.S. dollar-denominated loans. TLE had US\$63.6 million outstanding under such loans as of September 30, 2005. The loans had an average maturity date of September 2006 and an average interest rate of 3.32%.

Some of the debt agreements of TLE and its subsidiaries contain cross-default provisions, restrictions on changes of control and restrictive covenants relating to the incurrence of indebtedness. Financial ratios involve, (1) interest coverage ratios and (2) debt to capital ratios. At September 30, 2005, Telebahia, one of TLE's subsidiaries, was not in compliance with a financial covenant under one of its debt agreements with the European Investment Bank, representing US\$38 million in outstanding debt.

Off-Balance Sheet Arrangements

As of September 30, 2005, there were no off-balance sheet arrangements. All of TLE's majority-owned subsidiaries are included in its consolidated financial statements. TLE does not have any interests in, or relationships with, any special purpose entities that are not reflected in its consolidated financial statements.

Contractual Obligations and Commercial Commitments

Total contractual obligations at September 30, 2005 were R\$741.5 million, compared to R\$689.3 million at December 31, 2004, mainly due to an increase in operating leases.

U.S. GAAP Reconciliation

TLE prepares its consolidated financial statements in accordance with Brazilian GAAP, which differs in significant respects from U.S. GAAP. Net losses for the nine months ended September 30, 2004 and 2005 were R\$33.0 million and R\$59.9 million, respectively, under U.S. GAAP, compared to net losses of R\$22.3 million and R\$54.5 million, respectively, under Brazilian GAAP. Shareholders' equity at December 31, 2004 and September 30, 2005 was R\$385.7 million and R\$325.8 million, respectively, under U.S. GAAP, compared to shareholders' equity of R\$374.5 million and R\$320.0 million, respectively, under Brazilian GAAP. See note 20 to TLE's unaudited consolidated financial statements for

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a description of the principal differences between Brazilian GAAP and U.S. GAAP as they relate to TLE, and a reconciliation to U.S. GAAP of net losses and total shareholders' equity.

Table of Contents*TSD's Consolidated Results of Operations for the Nine Months Ended September 30, 2004 and 2005*

The following table sets forth certain components of TSD's income for the periods indicated.

	Nine-Month Periods Ended September 30,		% Change
	2005	2004	
	R\$ millions (unaudited)		
Net operating revenue	1,505.3	1,408.1	6.9%
Cost of services and goods	(777.4)	(761.8)	2.0%
Gross profit	727.9	646.3	12.6%
Operating expenses:			
Selling expenses	(462.2)	(360.0)	28.4%
General and administrative expenses	(148.4)	(150.1)	-1.1%
Other net operating expenses	(6.3)	(6.0)	5.0%
Operating income before gains of unconsolidated affiliates and net financial expense	111.0	130.2	-14.7%
Net financial expenses	14.6	7.0	108.6%
Operating income	125.6	137.2	-8.5%
Net non-operating (expenses) income	0.8	(0.1)	-900.0%
Income before minority interests and taxes	126.4	137.1	-7.8%
Income taxes	(48.4)	(52.5)	-7.8%
Minority interests			
Net income	78.0	84.6	-7.8%

Operating data

The following table sets forth certain operating components of TSD.

	Nine-Month Periods Ended September 30,		% Change
	2005	2004	

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Total number of customers (in thousands)	4,642	4,065	14.2%
Contract	1,421	1,181	20.3%
Prepaid	3,221	2,884	11.7%
Market Share(1)	44.2%	48.4%	-4.2 p.p.
Net additions (in thousands)	(24)	142	n.a.
Contract	36	46	-21.7%
Prepaid	(60)	96	n.a.
Market share of net additions to customer base(1)	-6.9%	42.7%	-49.6 p.p.
Market penetration(1)	55.9%	45.8%	10.1 p.p.
Customer acquisition cost, per customer(2) (R\$)	156	185	-15.7%
Monthly churn(3)	2.8%	2.4%	0.4 p.p.
Average revenue per user (R\$ per month)	31.2	34.0	-8.2%
Contract	69.8	73.5	-5.0%
Prepaid	14.6	16.9	-13.6%
Total minutes used per customer(4)	89	99	-10.1%
Contract	189	203	-6.9%
Prepaid	45	54	-16.7%
Employees	1,115	1,236	-9.8%

(1) Source: Anatel

(2) Calculated as follows: (70% marketing expenses + costs of the distribution network + handset subsidy) / gross additions.

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- (3) The number of customers that leave the company during the period, calculated as a percentage of the simple average of customers at the beginning and end of the period.
- (4) Total minutes of calls received and made by the company's customers divided by the average lines in service during the relevant year (including roaming in and excluding roaming out).

Net Operating Revenue

The composition of operating revenues by category of service is presented in TSD's consolidated financial statements and discussed below before deduction of valued-added and other taxes. The following table sets forth the components of TSD's operating revenues for the periods indicated, as well as the percentage change of each component from period to period.

	Nine-Month Period Ended		
	2005	2004	% Change
	R\$ million (unaudited)		
Gross operating revenue:			
Usage charges	1,016.0	813.6	24.9%
Sales of handsets and accessories	470.0	395.7	18.8%
Monthly subscription charges	70.2	108.5	-35.3%
Interconnection fees	556.4	592.6	-6.1%
Other	96.9	46.5	108.4%
Total gross operating revenue	2,209.5	1,956.9	12.9%
Value-added and other indirect taxes	(474.3)	(397.5)	19.3%
Sales and services discount and return of goods sold	(229.9)	(151.3)	51.9%
Net operating revenue	1,505.3	1,408.1	6.9%

Net operating revenue increased 6.9% to R\$1,505.3 million for the nine months ended September 30, 2005 from R\$1,408.1 million for the nine months ended September 30, 2004, principally due to an increase in revenues from usage charges and, to a lesser degree, increases in revenues from sales of handsets and accessories and other revenues. These increases were partially offset by decreases in revenues from monthly subscription charges and interconnection fees.

Usage charges. Revenues from usage charges increased 24.9% to R\$1,016.0 million for the nine months ended September 30, 2005 from R\$813.6 million for the nine months ended September 30, 2004. This increase was principally due to a 14.2% increase in the customer base to 4.642 million lines in service at September 30, 2005 from 4.065 million lines in service at September 30, 2004. In addition, outgoing traffic also grew by 20.8% primarily due to an increase in the customer base subject to contract (who make more outgoing calls than prepaid customers) to 1.4 million lines in service subject to contract (included in the total lines of service above) at September 30, 2005 from 1.2 million lines at September 30, 2004.

Sales of handsets and accessories. Revenues from sales of handsets and accessories increased 18.8% to R\$470.0 million for the nine months ended September 30, 2005 from R\$395.7 million for the nine months ended September 30, 2004. This increase was mainly due to the increase in

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the customer base described above, which resulted in part from promotional campaigns to acquire new customers. Revenues from handset sales are reported before commissions and promotional discounts and include value-added taxes. In general, the purpose of handset sales is to encourage growth in customers and traffic. Accordingly, TSD, like TCP, subsidizes part of the costs of handsets. Although profit margins vary from one handset model to another and from time to time, on average profit margins are negative after taxes and discounts. The subsidy strategy resulted in a gross loss (calculated as the difference from net operating revenues from sales of handsets and accessories minus the cost of handsets and accessories) for TSD of R\$131.4 million for the nine months ended September 30, 2005, compared to R\$125.2 for the nine months ended September 30, 2004.

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Monthly subscription charges. Revenues from monthly subscription charges decreased 35.3% to R\$70.2 million for the nine months ended September 30, 2005 from R\$108.5 million for the nine months ended September 30, 2004. This decrease was principally due to the impact of TSD's Right Planning loyalty program, which was introduced in May 2004 and is similar to the TCP program of the same name.

Interconnection fees. Revenues from interconnection fees decreased 6.1% to R\$556.4 million for the nine months ended September 30, 2005 from R\$592.6 million for the nine months ended September 30, 2004. This decrease was principally due to the trend toward a greater volume of cellular to cellular calls and a reduction in volume of fixed line to cellular calls and to the effect of the partial Bill & Keep system under Anatel's Personal Mobile Service (*Serviço Móvel Pessoal*, or SMP) regime. The migration of calls away from fixed line services decreases TSD's interconnection fees because the interconnection fees that apply to calls from a fixed line to a cellular line are higher than the fees that apply to calls from a cellular line to another cellular line.

Others. Revenues from other services increased 108.4% to R\$96.9 million for the nine months ended September 30, 2005 from R\$46.5 million for the nine months ended September 30, 2004. The increase was principally due to the increase in TSD's customer base and an increase in the use of data services by our customers, including text message services, or SMS, wireless internet services and other value-added services. The increase in the use of data services was due in part to increases in internet access, improvements in data service tools, the launch of new services and an increase in the number of data transmission-enabled handsets. New services launched in the nine months ended September 30, 2005 include SmartMail, a wireless e-mail service; Corporate VIVO Play 3G, a third generation service providing cellular access to multimedia content; and games.

Value-added and other indirect taxes. Value-added and other indirect taxes increased 19.3% to R\$474.3 million for the nine months ended September 30, 2005 from R\$397.5 million for the nine months ended September 30, 2004. This increase occurred principally because of the increase in gross operating revenues other than from interconnection fees (which are not subject to these taxes). Value-added taxes and other indirect taxes were 21.5% of TSD's gross operating revenues in the nine months ended September 30, 2005, compared to 20.3% in the nine months ended September 30, 2004. The effective rate of taxes on gross operating revenues varies depending on the composition of TSD's revenues.

Sales and services discount and returns of goods sold. Deductions from operating revenues include discounts on cellular handset sales, discounts on services and returns of goods sold. Discounts and returns increased 51.9% to R\$229.9 million for the nine months ended September 30, 2005 from R\$151.3 million for the nine months ended September 30, 2004. The increase was principally due to increases in discounts on handsets and accessories in response to aggressive competition from other providers. Sales and services discounts and returns of good sold represented 7.7% and 10.4%, respectively, of TSD's gross operating revenues for the nine months ended September 30, 2004 and 2005.

Cost of Services and Goods

The following table sets forth the components of TSD's costs of services and goods sold for the periods indicated, as well as the percentage change of each component from period to period.

Nine-Month Periods Ended		
2005	2004	% Change

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	R\$ millions (unaudited)		
Depreciation and amortization	(175.4)	(206.8)	-15.2%
Materials and services	(96.1)	(77.2)	24.5%
Interconnection charges	(34.4)	(41.2)	-16.5%
Personnel	(14.7)	(12.9)	14.0%
Rental, insurance and other related expenses	(36.7)	(34.8)	5.5%
Cost of handsets and accessories	(362.5)	(343.0)	5.7%
Fistel and other taxes	(57.6)	(45.9)	25.5%
	<u> </u>	<u> </u>	
Cost of services and goods	(777.4)	(761.8)	2.0%
	<u> </u>	<u> </u>	

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TSD's cost of services and goods increased 2.0% to R\$777.4 million for the nine months ended September 30, 2005 from R\$761.8 million for the nine months ended September 30, 2004. The increase was principally due to increases in the cost of handsets and accessories, materials and services and taxes, partially offset by decreases in depreciation and amortization expenses and, to a lesser degree, interconnection charges. The gross profit margin (gross profit as a percentage of net operating revenues) was 48.4% for the nine months ended September 30, 2005, compared to 45.9% for the nine months ended September 30, 2004.

Depreciation and Amortization. Depreciation and amortization expenses decreased 15.2% to R\$175.4 million for the nine months ended September 30, 2005 from R\$206.8 million for the nine months ended September 30, 2004. The decrease was principally due to our analog assets becoming fully depreciated.

Materials and services. Materials and services include cost of materials and services received from third-parties, including network usage charges paid to other cellular telecommunications service providers, to fixed-line companies and carriers for the completion on their networks of calls originated by TSD's customers. Cost of materials and services increased 24.5% to R\$96.1 million for the nine months ended September 30, 2005 from R\$77.2 million for the nine months ended September 30, 2004. The increase was principally due to an increase in the cost of third-party services and rental payments, such as network maintenance services and the costs of rented circuits and transmission lines, resulting mainly from the increase in the customer base, greater penetration of TSD's network in its region and efforts to increase the quality of the services provided (such as to provide third generation technology and increased capacity and coverage).

Interconnection charges. Interconnection charges include the charges that TSD pays to other telecommunications providers for the use of their networks to complete local and long-distance calls that originate from TSD's network. Interconnection charges decreased 16.5% to R\$34.4 million for the nine months ended September 30, 2005 from R\$41.2 million for the nine months ended September 30, 2004, primarily due to the effects of the SMP regime and the partial Bill & Keep billing system.

Personnel. Personnel expenses increased 14.0% to R\$14.7 million for the nine months ended September 30, 2005 from R\$12.9 million for the nine months ended September 30, 2004. This increase was principally due to an approximate 6% increase in salaries under the terms of TSD's collective bargaining agreement, which it renegotiates annually to take effect on November 1 and due to training program costs.

Rentals, insurance and other related expenses. Rentals, insurance and condominium fees increased 5.5% to R\$36.7 million for the nine months ended September 30, 2005 from R\$34.8 million for the nine months ended September 30, 2004. The increase was principally due to expansion of TSD's network.

Cost of handsets and accessories. The cost of handsets and accessories increased 5.7% to R\$362.5 million for the nine months ended September 30, 2005 from R\$343.0 million for the nine months ended September 30, 2004. The increase was principally due to the increase in the customer base and in average prices of handsets sold relating to marketing efforts targeting customers in higher income brackets.

Fistel and other taxes. Fistel and other tax expenses increased 25.5% to R\$57.6 million for the nine months ended September 30, 2005 from R\$45.9 million for the nine months ended September 30, 2004. The increase was principally due to the increase in the customer base.

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The following table sets forth the components of TSD's operating expenses for the periods indicated, as well as the percentage change of each component from period to period.

	Nine-Month Periods Ended		% Change
	2005	2004	
	R\$ millions (unaudited)		
Selling expenses	(462.2)	(360.0)	28.4%
General and administrative expenses	(148.4)	(150.1)	-1.1%
Other net operating income (expense), net	(6.3)	(6.0)	5.0%
Operating expenses	(616.9)	(516.1)	19.5%

Operating expenses increased 19.5% to R\$616.9 million for the nine months ended September 30, 2005 from R\$516.1 million for the nine months ended September 30, 2004. The increase resulted mainly from the increase in selling expenses in the face of aggressive competition.

Selling expenses. Selling expenses increased 28.4% to R\$462.2 million for the nine months ended September 30, 2005 from R\$360.0 million for the nine months ended September 30, 2004. The increase was principally due to an increase in third-party services (such as marketing, client care and call center services), marketing and promotional services in a highly competitive environment, an increase in commissions paid to independent distributors (which increased due to the number of handsets sold) and an increase in provisions for doubtful accounts. TSD's provision for doubtful accounts increased 3.0% to R\$30.5 million for the nine months ended September 30, 2005 from R\$29.6 million for the nine months ended September 30, 2004, principally due an increase in the customer base and the incorrect use of TSD's network. Provisions for doubtful accounts were 1.4% of gross operating revenues for the nine months ended September 30, 2005, compared to 1.5% of gross operating revenues for the nine months ended September 30, 2004.

General and administrative expenses. General and administrative expenses decreased 1.1% to R\$148.4 million for the nine months ended September 30, 2005 from R\$150.1 million for the nine months ended September 30, 2004. The slight decrease was principally due to favorable renegotiations of contracts.

Other net operating (expense) income. Other net operating expense increased 5.0% to R\$6.3 million for the nine months ended September 30, 2005 from R\$6.0 million for the nine months ended September 30, 2004, principally due to an increase in reserves for litigation contingencies and taxes, partially offset by recovery of expenses due to favorable results in certain litigation.

Net Financial Income (Expense)

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The following table sets forth the components of TSD's net financial income for the periods indicated, as well as the percentage change from period to period.

	Nine-Month Periods Ended		% Change
	2005	2004	
	R\$ millions (unaudited)		
Financial income	62.6	53.5	17.0%
Exchange gain and losses	10.0	(4.7)	-312.8%
Gain (Losses) on foreign currency derivative contracts	(31.1)	(13.9)	123.7%
Financial expenses	(26.9)	(27.9)	-3.6%
Financial income, net	14.6	7.0	108.6%

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TSD had net financial income of R\$14.6 million for the nine months ended September 30, 2005, compared to net financial income of R\$7.0 million for the nine months ended September 30, 2004. This change was due in part to an increase in the average CDI rate to 14.09% for the nine months ended September 30, 2005 from 11.72% for the nine months ended September 30, 2004, which led to increased financial income on higher average cash balances during the period.

Income and Social Contribution Taxes

Income and social contribution tax expenses decreased 7.8% to R\$48.4 million for the nine months ended September 30, 2005 from R\$52.5 million for the nine months ended September 30, 2004. This decrease was principally due to the reduction in income before income and social contribution taxes from period to period. TSD's effective tax rate was 38.3% in both the nine-month periods ended September 30, 2005 and 2004.

Net Income

As a result of the foregoing, TSD recorded net income of R\$78.0 million for the nine months ended September 30, 2005, compared to R\$84.6 million for the nine months ended September 30, 2004.

TSD's Liquidity and Capital Resources

Sources of Funds

TSD generated cash flow from operations of R\$214.4 million and R\$277.7 million in the nine months ended September 30, 2005 and 2004, respectively.

TSD had net cash used in financing activities of R\$25.0 million in the nine months ended September 30, 2005, compared to net cash used in financing activities of R\$163.2 million in the nine months ended September 30, 2004. In the nine months ended September 30, 2005, net cash used in financing activities included loan repayments of R\$28.0 million and net settlements on derivatives contracts of R\$33.5 million.

TSD had no long-term loans or financing as of September 30, 2005. TSD's R\$15.6 million in short-term indebtedness as of September 30, 2005 consisted primarily of funding from financial institutions. At September 30, 2005, TSD had working capital (current assets minus current liabilities) of R\$653.6 million.

We believe that TSD's available borrowing capacity, together with funds generated by operations, should provide sufficient liquidity and capital resources to pursue TSD's business strategy for the foreseeable future with respect to working capital, capital expenditures and other operating needs.

Uses of Funds

TSD's principal uses of funds are for capital expenditures, servicing of its debt and payments of dividends to shareholders.

Capital expenditures (including capitalized interest) consumed cash flows of R\$171.9 million in the nine months ended September 30, 2005 compared to R\$126.4 million in the nine months ended September 30, 2004. Repayment of debt consumed cash flows of R\$28.0 million and R\$144.3 million in the nine months ended September 30, 2005 and 2004, respectively. Capital expenditures were as set forth in the table below.

	Nine Months Ended September 30,	
	2005	2004
	R\$ millions	
Switching equipment	51.4	49.4
Transmission equipment	58.9	29.5
Information Technology	6.1	4.0
Others	55.5	43.5
Total capital expenditures	171.9	126.4

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TSD did not pay dividends or interest on shareholders' equity in the nine months ended September 30, 2005 and 2004.

Debt

As of September 30, 2005, TSD's total debt was R\$15.6 million, of which R\$15.6 million, or 100%, was denominated in U.S. dollars (U.S.\$7.0 million) and therefore exposed to currency fluctuations. Devaluation of the *real* results in exchange losses on foreign currency indebtedness. In order to protect against the risk of devaluation of the *real*, TSD has entered into over-the-counter derivatives transactions with international and domestic financial institutions. In the nine months ended September 30, 2005, TSD's derivatives positions produced a loss of R\$10.7 million, which was partially offset by the R\$5.6 million of exchange gains on TSD's foreign currency-denominated debt. At September 30, 2005, TSD had derivative contracts that covered amounts in excess of TSD's foreign currency-denominated debt.

TSD is exposed to interest rate risk as a consequence of TSD's floating rate debt. At September 30, 2005, approximately 53.6% of TSD's interest-bearing liabilities bore interest at floating rates, primarily LIBOR.

Off-Balance Sheet Arrangements

As of September 30, 2005, there were no off-balance sheet arrangements. All of TSD's majority-owned subsidiaries are included in its consolidated financial statements. TSD does not have any interests in, or relationships with, any special purpose entities that are not reflected in its consolidated financial statements.

Contractual Obligations and Commercial Commitments

Total contractual obligations at September 30, 2005 were R\$1,212.7 million, compared to R\$1,058.1 million at December 31, 2004, mainly due to an increase in operating leases.

U.S. GAAP Reconciliation

TSD prepares its consolidated financial statements in accordance with Brazilian GAAP, which differs in significant respects from U.S. GAAP. Net income for the nine months ended September 30, 2004 and 2005 was R\$26.1 million and R\$59.6 million, respectively, under U.S. GAAP, compared to net income of R\$84.6 million and R\$78.0 million, respectively, under Brazilian GAAP. Shareholders' equity at December 31, 2004 and September 30, 2005 was R\$1,991.3 million and R\$2,048.4 million, respectively, under U.S. GAAP, compared to shareholders' equity of R\$1,970.7 million and R\$2,048.7 million, respectively, under Brazilian GAAP. See note 21 to TSD's unaudited consolidated financial statements for a description of the principal differences between Brazilian GAAP and U.S. GAAP as they relate to TSD, and a reconciliation to U.S. GAAP of net losses and total shareholders' equity.

Description of Celular CRT s Business

Business Overview

Celular CRT Participações S.A., or Celular CRT, provides cellular telecommunications services in the state of Rio Grande do Sul through its wholly owned subsidiary Celular CRT S.A. Celular CRT uses a frequency range known as A Band that covers 69.7% of the municipalities in the state of Rio Grande do Sul and 95.9% of the population of that state. At September 30, 2005, Celular CRT had 3.4 million cellular lines in service and a market share of approximately 50.3% in its authorization area, estimated based on the total number of cellular lines in service in that area as published by Anatel.

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The following table sets forth information of Celular CRT's cellular telecommunications base, coverage and related matters at the dates and for the periods indicated.

	Nine-Month Period Ended September 30,	Year Ended December 31,		
	2005	2004	2003	2002
Cellular lines in service at period end (in thousands)	3,391	3,215	2,523	2,078
Contract customers	854	788	687	611
Prepaid customers	2,537	2,427	1,836	1,467
Growth in cellular lines in service during period	176	692	445	293
Churn(1)	1.6%	1.6%	1.8%	1.4%
Estimated population in concession areas (in millions)(2)	10.5	10.4	10.3	10.2
Estimated covered population (in millions)(3)	10.0	9.9	9.7	9.6
Percentage of population covered(4)	95.9	95.7%	95.5	95.4
Penetration at period-end(5)	62.0%	54.0%	39.0%	31.0%
Percentage of municipalities covered	69.7%	67.8%	67.8%	67.6%
Average monthly minutes of use per customer(6)	70.0	79.5%	82.3	91.6
Market share(7)	50.3%	54.8%	60.0%	65.2%

- (1) Churn is the number of customers that leave Celular CRT during the period, calculated as a percentage of the simple average of customers at the beginning and end of the period.
- (2) Projections based on estimates of the IBGE.
- (3) Number of people in Celular CRT's region that can access its cellular telecommunications signal.
- (4) Percentage of the population in Celular CRT's region that can access its cellular telecommunications signal.
- (5) Number of cellular lines in service in Rio Grande do Sul, including those of its competitors, divided by the population of its region.
- (6) Average monthly minutes of use per lines in service is the total minutes of calls received and made by Celular CRT's customers divided by the average lines in service during the relevant year (includes roaming in and excludes roaming out).
- (7) Estimate based on all lines in service in Rio Grande do Sul at period end.

Services

Celular CRT provides cellular telecommunications services using both digital and analog technologies. Celular CRT's network provides both CDMA and TDMA digital services and AMPS, or analog services. All of Celular CRT's services are provided in the frequency of 850 MHz.

Celular CRT provides voice and ancillary services, including voicemail and voicemail notification, call forwarding, three-way calling, caller identification, short messaging, limitations on the number of used minutes, cellular chat rooms and data services such as wireless application protocol services through which clients can access WAP sites and portals. Celular CRT offers direct access to the Internet through either PCMCIA cards (Personal Computer Memory Card International Association, an organization consisting of some 500 companies that has developed standardized small, credit card-sized devices, called PC Cards) designed to connect compatible PDA's (Personal Digital Assistant, a handheld device that combines computing, telephone/fax, Internet and networking features) and laptops or cellular phones by cable connection that offers to corporate subscribers secure access to their intranet and office resources. Celular CRT also offers services like Multimedia Message Service, MExE (Mobile Execution Environment) that enable the handset to download applications and execute them using a user interface with icons to identify the main services, such as voicemail, downloads and text messaging (SMS).

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Celular CRT offers roaming services through agreements with local cellular service providers throughout Brazil and other countries that allow its subscribers to make and receive calls while out of Celular CRT's authorization area. Celular CRT also provides reciprocal roaming services to subscribers of those cellular service providers while they are in its authorization area.

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Celular CRT operated 30 points of sale at December 31, 2004, in addition to an independent authorized service network comprised of both exclusive and nonexclusive dealers, with 965 service points capable of selling services and cell phones. At December 31, 2004, credit recharges were available for customers at nearly 20,000 sites.

Network

At December 31, 2004, Celular CRT's network, which provides CDMA and TDMA digital and AMPS analog services, covered 67.1% of the municipalities in the state of Rio Grande do Sul, or 95.7% of the population of its region. Celular CRT's network is connected primarily through a fiber-optic transmission system partially leased from Brasil Telecom. At December 31, 2004, Celular CRT's network included 15 cellular switches and 1,563 radio base stations.

Competition

Celular CRT faces intense competition in all the areas in which it operates, principally from other cellular service providers and also from fixed line operators. Many of these competitors are part of large, national or multinational groups and therefore have access to financing, new technologies and other benefits that derive from being owned by such a group. Fixed line operators generally charge much lower tariffs than cellular service providers.

Celular CRT's principal cellular competitor is Claro (Telet S.A.), which operates in several regions in Brazil, including Celular CRT's region. Other cellular competitors are Brasil Telecom S.A. and TIM. The main fixed line competitor in its area is Brasil Telecom.

Celular CRT also competes with certain other wireless telecommunications services, such as mobile radio (including digital trunking technology, offered by Nextel), paging and beeper services, which are used by some in its area as a substitute for cellular telecommunications services. These competing wireless telecommunications services are generally less expensive than cellular telecommunication services.

Satellite-operated services, which provide nationwide coverage, are also available in Brazil. Although these services have the advantage of covering much larger areas than those covered by the cellular telecommunications services, they are considerably more expensive than the cellular telecommunications services Celular CRT offers and do not provide competitive coverage inside buildings.

Other Information

Celular CRT's business is influenced by a number of factors that are common to the Vivo companies. For information on certain of these factors, see the captions Taxes on Telecommunications Services and Handset Sales, Billing and Collection, Fraud Detection and Prevention and Regulation of the Brazilian Telecommunications Industry in TCP's Annual Report on Form 20-F for the year ended December 31, 2004 incorporated by reference in this prospectus.

Litigation

The following is a description of certain litigation to which Celular CRT is a party. See note 14 to Celular CRT's unaudited condensed consolidated interim financial statements and note 21 to Celular CRT's audited consolidated financial statements included in this prospectus for the amounts of reserves established for certain claims in which an unfavorable outcome is considered probable, as well as certain information about amounts involved in claims in which an unfavorable outcome is considered possible.

Lune Projetos Especiais Telecomunicação Comércio e Ind. Ltda., or Lune, a Brazilian company, filed lawsuits against 23 wireless telecommunications operators, including Celular CRT. The lawsuits allege that the defendants violated Patent No. 9202624-9, related to a Caller ID system (*Equipamento Controlador de Chamadas Entrantes e do Terminal do Usuário*), granted to Lune by the Brazilian Intellectual Property Agency INPI on September 30, 1997. Lune has requested that the defendants cease to provide Caller ID

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services and seeks payment from them for the alleged unauthorized use of the Caller ID system in an amount equivalent to the payment of fees received by the defendants for use of the Caller ID system. Lune's right to use the patent was suspended by a federal judge in the State of São Paulo in a proceeding initiated against Lune and INPI by Ericsson Telecomunicações S.A. Telesp Celular and Telerj Celular filed identical lawsuits against Lune and INPI, and those lawsuits are still pending before the courts. We believe based on the opinion of outside counsel that the likelihood of an unfavorable outcome with respect to Lune's claim against Celular CRT is possible. We are unable to determine at this time the extent of any potential liabilities with respect to this claim.

Celular CRT, together with other Brazilian wireless telecommunications operators, are defendants in certain lawsuits brought by the federal public prosecutor's office and consumer protection associations challenging the deadline for the use of purchased prepaid minutes. Plaintiffs claim that purchased prepaid minutes should not expire after any specified deadline. Conflicting decisions have been issued by the federal courts reviewing this matter. Although we believe that Celular CRT's criteria for imposing the deadline are in compliance with Anatel's rules, we believe based on the opinion of outside counsel that an unfavorable outcome with respect to this claim is possible.

On November 27, 1998, Law No. 9,718 changed the method of calculation and effectively increased the amounts of certain taxes (the Contribution for the Financing of Social Security (*Contribuição para Financiamento da Seguridade Social*, or COFINS) and the Social Integration Program (*Programa de Integração Social*, or PIS)) owed by Celular CRT's subsidiary. Although we claim that this increase is unconstitutional, based on the opinion of outside counsel we believe that an unfavorable outcome with respect to this claim is possible. However, we do not believe an unfavorable outcome would have a material adverse effect on Celular CRT's financial condition and results of operations.

Several telecommunications operators, including Celular CRT, are defendants in a lawsuit brought by the federal public prosecutor's office challenging the policy of passing the COFINS and PIS expenses to customers by incorporating them into their charges. Celular CRT is defending on the grounds that COFINS and PIS are cost components of the services provided to customers and, as such, should be incorporated into the price of such services, as is the practice throughout the telecommunications industry. We believe, based on the opinion of outside counsel, that an unfavorable outcome with respect to this claim is remote.

The state of Rio Grande do Sul filed administrative proceedings against Celular CRT in order to collect amounts allegedly due as a result of taxes levied on international calls originated in Brazil during a specified period. We believe, based on the opinion of outside counsel, that an unfavorable outcome with respect to this claim is possible.

The municipality of Porto Alegre, in the state of Rio Grande do Sul, filed administrative proceedings against Celular CRT in order to collect amounts allegedly due as a services tax (*Imposto Sobre Serviços*, or ISS). The municipality claims that the payments received in consideration of the use of Celular CRT's network could be considered remuneration under a lease of a movable asset and that therefore these payments should be subject to the application of ISS. Based on the opinion of counsel, we believe that Celular CRT will be successful in these proceedings, and, accordingly, Celular CRT has not established any reserves for this lawsuit.

Celular CRT filed a lawsuit challenging the application of the CIDE tax (*Contribuição de Intervenção no Domínio Econômico*) on the remittances of payments owed to suppliers headquartered outside of Brazil in accordance with technology transfer and technological assistance contracts or trademark and software licenses, in accordance with the terms of Law No. 10,168/2002. We believe, based on the opinion of outside counsel, that an unfavorable outcome with respect to this claim is possible. Celular CRT has established reserves in respect of CIDE amounts not paid.

Table of Contents*Celular CRT's Consolidated Results of Operations for the Nine Months Ended September 30, 2004 and 2005*

The following table sets forth certain components of Celular CRT's income for the periods indicated.

	Nine-Month Periods Ended September 30,		% Change
	2005	2004	
	R\$ millions (unaudited)		
Net operating revenue	892.4	852.4	4.7%
Cost of services and goods	(420.3)	(438.7)	-4.2%
Gross profit	472.1	413.7	14.1%
Operating expenses:			
Selling expenses	(270.5)	(183.0)	47.8%
General and administrative expense	(76.5)	(71.6)	6.8%
Other net operating income	7.8	18.7	-58.3%
Operating income before net financial expense	132.9	177.8	-25.3%
Equity in losses of unconsolidated affiliates			
Net financial expense	33.2	28.0	18.6%
Operating income	166.1	205.8	-19.3%
Net non-operating expenses	(2.3)	(3.2)	-28.1%
Income before taxes	163.8	202.6	-19.2%
Income taxes	(59.4)	(70.7)	-16.0%
Net income	104.4	131.9	-20.8%

Operating data

The following table sets forth certain operating components of Celular CRT.

	Nine-Month Periods Ended September 30,		% Change
	2005	2004	

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Total number of customers (in thousands)	3,391	2,953	14.8%
Contract	854	735	16.2%
Prepaid	2,537	2,218	14.4%
Market share(1)	50.3%	57.5%	-7.2 p.p.
Net additions (in thousands)	32	132	-75.8%
Contract	12	30	-60.0%
Prepaid	20	102	-80.4%
Market share of net additions to customer base(1)	13.6%	39.8%	-26.2 p.p.
Market penetration(1)	63.5%	48.4%	15.1 p.p.
Customer acquisition cost, per customer(2) (R\$)	192	162	18.5%
Monthly churn(3)	1.6%	1.5%	0.1 p.p.
Average revenue per user (R\$ per month)	27.4	28.9	-5.2%
Contract	72.7	69.1	5.2%
Prepaid	11.3	14.5	-22.1%
Total minutes used per customer(4)	68	79	-13.9%
Contract	168	157	7.0%
Prepaid	34	52	-34.6%
Employees	449	563	-20.2%

(1) Source: Anatel

(2) Calculated as follows: (70% marketing expenses + costs of the distribution network + handset subsidy) / gross additions.

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- (3) The number of customers that leave the company during the period, calculated as a percentage of the simple average of customers at the beginning and end of the period.
- (4) Total minutes of calls received and made by the company's customers divided by the average lines in service during the relevant year (including roaming in and excluding roaming out).

Net Operating Revenue

The composition of operating revenues by category of service is presented in Celular CRT's consolidated financial statements and discussed below before deduction of value-added and other taxes. The following table sets forth the components of Celular CRT's operating revenues for the periods indicated, as well as the percentage change of each component from period to period.

	Nine-Month Period Ended,		% Change
	2005	2004	
	R\$ million (unaudited)		
Usage charges	573.9	422.4	35.9%
Sales of handsets and accessories	183.2	197.2	-7.1%
Monthly subscription charges	78.5	67.7	16.0%
Interconnection fees	312.2	340.0	-8.2%
Other	108.2	85.6	26.4%
Total gross operating revenue	1,256.0	1,112.9	12.9%
Value-added and other indirect taxes	(282.0)	(200.2)	40.9%
Sales and services discount and return of goods sold	(81.6)	(60.3)	35.3%
Net operating revenue	892.4	852.4	4.7%

Net operating revenue increased 4.7% to R\$892.4 million for the nine months ended September 30, 2005 from R\$852.4 million for the nine months ended September 30, 2004. The increase in net operating revenue was principally due to an increase in revenues from usage charges and, to a lesser degree, other revenues. These increases were partially offset by decreases in revenues from interconnection fees and sales of handsets and accessories.

Usage charges. Revenues from usage charges increased 35.9% to R\$573.9 million for the nine months ended September 30, 2005 from R\$422.4 million for the nine months ended September 30, 2004. This increase was principally due to the 14.8% increase in the customer base to 3.391 million lines in service as of September 30, 2005 from 2.953 million lines in service as of September 30, 2004. In addition, outgoing traffic grew by 10.7% mainly due to an increase in the customer base subject to contract (who make more outgoing calls than prepaid customers) to 3.1 million lines in service subject to contract (included in the total lines of service above) as of September 30, 2005 from 2.8 million lines at September 30, 2004.

Sales of handsets and accessories. Revenues from sales of handsets and accessories decreased 7.1% to R\$183.2 million for the nine months ended September 30, 2005 from R\$197.2 million for the nine months ended September 30, 2004. This decrease was principally due to Celular CRT's strategy in 2005 of seeking to acquire new customers through loyalty programs that provide improved technology at competitive prices,

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while in 2004 Celular CRT placed greater emphasis on phasing out TDMA service and encouraging customers to use the new CDMA service. Revenues from handset sales are reported before commissions and promotional discounts and include value-added taxes. In general, the purpose of handset sales is to encourage growth in customers and traffic. Accordingly, Celular CRT, like TCP, subsidizes part of the costs of handsets. Although profit margins vary from one handset model to another and from time to time, on average profit margins are negative after taxes and discounts. The subsidy strategy resulted in a gross loss (calculated as the difference from net operating revenues from sales of handsets and accessories minus the cost of handsets and accessories) for Celular CRT of R\$73.1 million for the nine months ended September 30, 2005, compared to R\$67.2 for the nine months ended September 30, 2004.

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Monthly subscription charges. Revenues from monthly subscription charges increased 16.0% to R\$78.5 million for the nine months ended September 30, 2005 from R\$67.7 million for the nine months ended September 30, 2004. This increase was principally due to the increase in the customer base subject to contract including, most significantly, corporate customers.

Interconnection fees. Revenues from interconnection fees decreased 8.2% to R\$312.2 million for the nine months ended September 30, 2005 from R\$340.0 million for the nine months ended September 30, 2004. This decrease was principally due to the trend toward a greater volume of cellular to cellular calls and a reduction in volume of fixed line to cellular calls and to the effect of the partial Bill & Keep system under Anatel's Personal Mobile Service (*Serviço Móvel Pessoal*, or SMP) regime. The migration of callers away from fixed line services decreases Celular CRT's interconnection fees because the interconnection fees that apply to calls from a fixed line to a cellular line are higher than the fees that apply to calls from a cellular line to another cellular line.

Others. Revenues from other services increased 26.4% to R\$108.2 million for the nine months ended September 30, 2005 from R\$85.6 million for the nine months ended September 30, 2004. The increase was principally due to the increase in Celular CRT's customer base and an increase in the use of data services by Celular CRT's customers, including text message services, or SMS, wireless internet services and other value-added services. The increase in the use of data services was due in part, to increases in internet access, improvements in data service tools, an increase in the number of data transmission-enabled handsets and promotional campaigns to encourage the use of value-added services.

Value-added and other indirect taxes. Value-added and other indirect taxes increased 40.9% to R\$282.0 million for the nine months ended September 30, 2005 from R\$200.2 million for the nine months ended September 30, 2004 primarily resulting from an increase in tax rates relating to telecommunications services and also from the increase in gross operating revenues other than from interconnection fees (which are not subject to these taxes). These value-added and other indirect taxes are the same taxes as those that apply to TCP. Value-added taxes and other indirect taxes were 22.5% of Celular CRT's gross operating revenue in the nine months ended September 30, 2005, compared to 18.0% in the nine months ended September 30, 2004. The effective rate of taxes on gross operating revenues varies depending on the composition of Celular CRT's revenues.

Sales and services discount and returns of goods sold. Discounts and returns increased 35.3% to R\$81.6 million for the nine months ended September 30, 2005 from R\$60.3 million for the nine months ended September 30, 2004. The increase was principally due to increases in discounts on handsets and accessories in response to aggressive competition from other providers. Sales and services discounts and returns of goods sold represented 5.4% and 6.5%, respectively, of Celular CRT's gross operating revenues for the nine months ended September 30, 2004 and 2005.

Cost of Services and Goods

The following table sets forth the components of Celular CRT's costs of services and goods sold for the periods indicated, as well as the percentage change of each component from period to period.

Nine-Month Period Ended		
2005	2004	% Change
R\$ million (unaudited)		

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Depreciation and amortization	(115.3)	(119.5)	-3.5%
Materials and services	(46.9)	(42.2)	11.1%
Interconnection charges	(21.7)	(21.2)	2.4%
Personnel	(7.1)	(6.1)	16.4%
Rental, insurance and other related expenses	(14.9)	(12.6)	18.3%
Cost of handsets and accessories	(169.9)	(202.2)	-16.0%
Fistel and other taxes	(44.5)	(34.9)	27.5%
	<u> </u>	<u> </u>	
Cost of services and goods	(420.3)	(438.7)	-4.2%
	<u> </u>	<u> </u>	

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Celular CRT's cost of services and goods decreased 4.2% to R\$420.3 million for the nine months ended September 30, 2005 from R\$438.7 million for the nine months ended September 30, 2004. The decrease was principally due to a decrease in the cost of handsets and accessories and, to a lesser degree, to a decrease in depreciation and amortization expenses. The gross profit margin (gross profit as a percentage of net operating revenues) was 52.9% for the nine months ended September 30, 2005, compared to 48.5% for the nine months ended September 30, 2004.

Depreciation and Amortization. Depreciation and amortization expenses decreased 3.5% to R\$115.3 million for the nine months ended September 30, 2005 from R\$119.5 million for the nine months ended September 30, 2004. The decrease was principally due to certain analog and TDMA assets becoming fully depreciated, and this effect was partially offset by depreciation charges from newly added CDMA infrastructure and equipment.

Materials and services. Materials and services include cost of materials and services received from third-parties, including network usage charges paid to other cellular telecommunications service providers, to fixed-line companies and carriers for the completion on their networks of calls originated by Celular CRT's customers. Cost of materials and services increased 11.1% to R\$46.9 million for the nine months ended September 30, 2005 from R\$42.2 million for the nine months ended September 30, 2004. The increase was principally due to increases in the cost of third-party services and rental payments, such as network maintenance services and the costs of rented circuits and transmission lines, resulting mainly from the implementation of the new CDMA network. In addition, Celular CRT incurred greater maintenance costs in the nine months ended September 30, 2005 in connection with the installation of a new CDMA network.

Interconnection charges. Interconnection charges include the charges that Celular CRT pays to other telecommunications providers for the use of their networks to complete local and long-distance calls that originate from Celular CRT's network. These interconnection charges increased 2.4% to R\$21.7 million for the nine months ended September 30, 2005 from \$21.2 million for the nine months ended September 30, 2004, principally due to the 14.1% increase in outgoing traffic, primarily from corporate clients who more frequently call outside our region and use roaming services.

Personnel. Personnel expenses increased 16.4% to R\$7.1 million for the nine months ended September 30, 2005 from R\$6.1 million for the nine months ended September 30, 2004. This increase was principally due to an approximate 6% increase in salaries under the terms of Celular CRT's collective bargaining agreement, which it renegotiates annually to take effect on November 1, and due to training programs.

Rentals, insurance and other related expenses. Rentals, insurance and condominium fees increased 18.3% to R\$14.9 million for the nine months ended September 30, 2005 from R\$12.6 million for the nine months ended September 30, 2004. This increase was principally due to the expansion of Celular CRT's network, which increased the number of rented sites in connection with an increase in the number of Celular CRT's radio base stations.

Cost of handsets and accessories. The cost of handsets and accessories decreased 16.0% to R\$169.9 million for the nine months ended September 30, 2005 from R\$202.2 million for the nine months ended September 30, 2004. This decrease was principally due to a decrease in the number of handsets sold because there were fewer new customers added than in the prior period, as well as favorable renegotiations of contracts with our suppliers.

Fistel and other taxes. Fistel and other tax expenses increased 27.5% to R\$44.5 million for the nine months ended September 30, 2005 from R\$34.9 million for the nine months ended September 30, 2004. The increase was principally due to the increase in the customer base.

Table of Contents*Operating Expenses*

The following table sets forth the components of Celular CRT's operating expenses for the periods indicated, as well as the percentage change of each component from period to period.

	Nine-Month Period Ended		
	2005	2004	% Change
	R\$ million (unaudited)		
Selling expenses	(270.5)	(183.0)	47.8%
General and administrative expenses	(76.5)	(71.6)	6.8%
Other net operating income	7.8	18.7	-58.3%
Operating expenses	(339.2)	(235.9)	43.8%

Operating expenses increased 43.8% to R\$339.2 million for the nine months ended September 30, 2005 from R\$235.9 million for the nine months ended September 30, 2004. The increase resulted mainly from the increase in selling expenses in the face of aggressive competition and to a lesser degree, from a decrease in other net operating income.

Selling expenses. Selling expenses increased 47.8% to R\$270.5 million for the nine months ended September 30, 2005 from R\$183.0 million for the nine months ended September 30, 2004. The increase was principally due to an increase in third-party services (such as marketing, client care and call center services) necessary in a highly competitive environment, an increase in depreciation expenses related to stores, equipment and other assets, and an increase in provisions for doubtful accounts mainly due to the increase in the customer base described above and to the incorrect use of our networks. Expenses on customer retention efforts through loyalty campaigns also contributed to the increase in Celular CRT's provision for doubtful accounts, which increased 84.1% to R\$31.1 million for the nine months ended September 30, 2005 from R\$16.9 million for the nine months ended September 30, 2004. As a result of this increase, provisions for doubtful accounts were 2.5% of gross revenues for the nine months ended September 30, 2005, compared to 1.5% of gross revenues for the nine months ended September 30, 2004.

General and administrative expenses. General and administrative expenses increased 6.8% to R\$76.5 million for the nine months ended September 30, 2005 from R\$71.6 million for the nine months ended September 30, 2004. The increase was principally due to increases in rental, insurance and condominium fees.

Other net operating (expense) income. Other net operating income decreased 58.3% to R\$7.8 million for the nine months ended September 30, 2005 from R\$18.7 million for the nine months ended September 30, 2004. This decrease was principally due to an increase in recovered expenses and fines from litigation results favorable to Celular CRT, which were partially offset by an increase in reserves for litigation contingencies.

Net Financial (Expense) Income

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The following table sets forth the components of Celular CRT's net financial income for the periods indicated, as well as the percentage change of each component from period to period.

	Nine-Months Periods Ended		% Change
	2005	2004	
	R\$ million (unaudited)		
Financial income	69.6	57.4	21.3%
Foreign currency exchange gain and losses	40.9	1.3	3,046.2%
Net losses on foreign currency derivative contracts	(62.2)	(9.8)	534.7%
Financial expenses	(15.1)	(20.9)	-27.8%
Financial income, net	33.2	28.0	18.6%

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Celular CRT's net financial income increased 18.6% to R\$33.2 million for the nine months ended September 30, 2005 from \$28.0 million for the nine months ended September 30, 2004. This change was due in part to an increase in the average CDI rate to 14.09% for the nine months ended September 30, 2005 from 11.72% for the nine months ended September 30, 2004, which led to increased financial income on higher average cash balances during the period, as well as a decrease in financial expenses due to a decrease in the debt outstanding.

Income and Social Contribution Taxes

Income and social contribution tax expenses decreased 16.0% to R\$59.4 million for the nine months ended September 30, 2005 from R\$70.7 million for the nine months ended September 30, 2004. The decrease was principally due to the decrease in income before taxes. Celular CRT's effective tax rate was 36.2% and 34.9% for the nine months ended September 30, 2005 and 2004, respectively.

Net Income

As a result of the foregoing, Celular CRT recorded net income of R\$104.4 million for the nine months ended September 30, 2005, compared to R\$131.9 million for the nine months ended September 30, 2004.

Celular CRT's Consolidated Results of Operations for the Year Ended December 31, 2003 and 2004

The following table sets forth certain components of Celular CRT's income for the periods indicated.

	Years ended December 31,		% Change
	2004	2003	
	R\$ million		
Net operating revenue	1,174.3	1,032.7	13.7%
Cost of services and goods	(620.5)	(526.2)	17.9%
Gross profit	553.8	506.5	9.3%
Operating expenses:			
Selling expenses	(264.9)	(171.3)	54.6%
General and administrative expense	(95.6)	(89.3)	7.1%
Other net operating (expense) income	27.3	(3.9)	n.a.
Operating income before net financial expense	220.6	242.0	-8.8%
Net financial expense	25.8	17.7	45.8%

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Operating income	246.4	259.7	-5.1%
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Net non-operating expenses	(7.7)	(1.2)	541.7%
	<u> </u>	<u> </u>	
Income before taxes	238.7	258.5	-7.7%
	<u> </u>	<u> </u>	
Income taxes	(56.7)	(69.1)	-17.9%
	<u> </u>	<u> </u>	
Net income	182.0	189.4	-3.9%
	<u> </u>	<u> </u>	

Table of Contents*Net Operating Revenue*

The composition of operating revenues by category of service is presented in Celular CRT's consolidated financial statements and discussed below before deduction of value-added and other taxes. The following table sets forth the components of Celular CRT's operating revenues for the periods indicated, as well as the percentage change of each component from period to period.

	Years ended December 31,		% Change
	2004	2003	
	R\$ million		
Usage charges	601.7	601.6	
Sales of handsets and accessories	291.7	221.2	31.9%
Monthly subscription charges	89.9	104.1	-13.6%
Interconnection fees	453.9	406.0	11.8%
Other	115.0	65.8	74.8%
Total gross operating revenue	1,552.2	1,398.7	11.0%
Value-added and other indirect taxes	(287.7)	(241.7)	19.0%
Sales and services discount and return of goods sold	(90.2)	(124.3)	-27.4%
Net operating revenue	1,174.3	1,032.7	13.7%

Net operating revenue increased 13.7% to R\$1,174.3 million for 2004 from R\$1,032.7 million for 2003. The increase in net revenues was principally due to an increase in revenues from sales of handsets and accessories, interconnection fees and other revenues.

Usage charges. Revenues from usage charges remained almost constant at R\$601.7 million for 2004, compared to R\$601.6 million for 2003. In 2004, the customer base increased 27.4% to 3.215 million lines in service at December 31, 2004 from 2.523 million lines in service at December 31, 2003, outgoing traffic increased and sales and services discounts decreased. However, these positive factors were offset by the impact of the long distance carrier selection codes implemented by Anatel in 2003, which allow customers to choose their carrier for domestic and long distance services (VC2 and VC3 calls) and international cellular calls.

Sales of handsets and accessories. Revenues from sales of handsets and accessories increased 31.9% to R\$291.7 million for 2004 from R\$221.2 million for 2003. This increase was mainly due to the 27.4% increase in the customer base described above, which resulted in part from promotional campaigns to acquire new customers. Celular CRT's strategy of subsidizing a portion of handset costs to encourage growth in customers and traffic resulted in a gross loss (calculated as the difference from net operating revenues from sales of handsets and accessories minus the cost of handsets and accessories) for Celular CRT of R\$107.8 million for 2004, compared to a gross gain of R\$37.1 million for 2003. The gross loss for 2004 occurred due to incentives to encourage customers to replace TDMA handsets with new CDMA handsets and due to retention campaigns to face competition from a new player in the market.

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Monthly subscription charges. Revenues from monthly subscription charges decreased 13.6% to R\$89.9 million for 2004 from R\$104.1 million for 2003. This decrease was principally due to a change in the mix of customers, with customers subject to contract representing 24.5% of the customer base at December 31, 2004, compared to 27.2% of the customer base at December 31, 2003. The decrease was also due to the impact of Celular CRT's Right Planning loyalty program, which was introduced in May 2004 and is similar to the TCP program of the same name.

Interconnection fees. Revenues from interconnection fees increased 11.8% to R\$453.9 million for 2004 from R\$406.0 million for 2003. This increase was principally due to the increase in inbound calls from other start-up networks (primarily from long-distance calls) and due to the increase in our pre-paid client base.

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Others. Revenues from other services increased 74.8% to R\$115.0 million for 2004 from R\$65.8 million for 2003. The increase was principally due to the increase in Celular CRT's customer base and an increase in the use of data services by Celular CRT's customers, including text message services, or SMS, wireless internet services and other value-added services. The increase in the use of data services was due in part due to increases in internet access, improvements in data service tools and an increase in the number of data transmission-enabled handsets.

Value-added and other indirect taxes. Value-added and other indirect taxes increased 19.0% to R\$287.7 million for 2004 from R\$241.7 million for 2003. This increase occurred principally because of the increase in gross operating revenues other than from interconnection fees (which are not subject to these taxes). Value-added taxes and other indirect taxes were 18.5% of Celular CRT's gross operating revenue in 2004, compared to 17.3% in 2003.

Sales and services discount and returns of goods sold. Discounts and returns decreased 27.4% to R\$90.2 million for 2004 from R\$124.3 million for 2003. The decrease was principally due to a decrease in discounts on services, partially offset by an increase in discounts on handsets and accessories, which vary according to Celular CRT's response to competitive pressures.

Cost of Services and Goods

The following table sets forth the components of Celular CRT's costs of services and goods sold for the periods indicated, as well as the percentage change of each component from period to period.

	Years ended December 31,		
	2004	2003	% Change
	R\$ million		
Depreciation and amortization	(162.1)	(158.7)	2.1%
Materials and services	(55.0)	(46.9)	17.3%
Interconnection charges	(27.6)	(59.2)	-53.4%
Personnel	(8.6)	(7.5)	14.7%
Rental, insurance and other related expenses	(15.8)	(17.9)	-11.7%
Cost of handsets and accessories	(304.3)	(198.5)	53.3%
Fistel and other taxes	(47.1)	(37.5)	25.6%
Cost of services and goods	(620.5)	(526.2)	17.9%

Celular CRT's cost of services and goods increased 17.9% to R\$620.5 million for 2004 from R\$526.2 million for 2003. The increase was principally due to an increase in the cost of handsets and accessories and, to a lesser degree, materials and services and Fistel and other taxes. The gross profit margin (gross profit as a percentage of net operating revenues) was 47.2% for 2004, compared to 49.0% for 2003.

Depreciation and Amortization. Depreciation and amortization expenses increased 2.1% to R\$162.1 million for 2004 from R\$158.7 million for 2003. The increase was principally due to depreciation charges from newly added infrastructure and equipment (relating to the overlay of the new CDMA network), which more than offset reductions in depreciation charges resulting from the full depreciation of certain older analog

equipment.

Materials and services. Cost of materials and services increased 17.3% to R\$55.0 million for 2004 from R\$46.9 million for 2003. The increase was principally due to increases in the cost of third-party services such as network maintenance services as a consequence of the CDMA network overlay.

Interconnection charges. Interconnection charges decreased 53.4% to R\$27.6 million for 2004 from R\$59.2 million for 2003, principally because with the introduction of long-distance carrier selection codes in 2003, the costs of VC2 and VC3 long-distance calls are borne by long-distance telecommunications companies rather than cellular telecommunications companies.

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Personnel. Personnel expenses increased 14.7% to R\$8.6 million for 2004 from R\$7.5 million for 2003. This increase was principally due to an approximate 7.5% increase in salaries consistent with inflation under the terms of a collective bargaining agreement signed in December 2003, retroactive to November 1, 2003, and due to training programs.

Rentals, insurance and other related expenses. Rentals, insurance and condominium fees decreased 11.7% to R\$15.8 million for 2004 from R\$17.9 million for 2003. This decrease was principally due to the favorable renegotiation of certain rental contracts and a decrease in the number of rented circuits due to the installment of Celular CRT's own backbone network.

Cost of handsets and accessories. The cost of handsets and accessories increased 53.3% to R\$304.3 million for 2004 from R\$198.5 million for 2003. The increase was principally due to the increase in the volume of handsets and accessories sold, as well as incentives given to encourage customers to replace their TDMA handsets with newer CDMA handsets.

Fistel and other taxes. Fistel and other tax expenses increased 25.6% to R\$47.1 million for 2004 from R\$37.5 million for 2003. The increase was principally due to a 25.9% increase in the average customer base from period to period.

Operating Expenses

The following table sets forth the components of Celular CRT's operating expenses for the periods indicated, as well as the percentage change of each component from period to period.

	Years ended December 31,		% Change
	2004	2003	
	R\$ million		
Selling expenses	(264.9)	(171.3)	54.6%
General and administrative expenses	(95.6)	(89.3)	7.1%
Other net operating (expenses) income	27.3	(3.9)	n.a.
Operating expenses	(333.2)	(264.5)	26.0%

Operating expenses increased 26.0% to R\$333.2 million for 2004 from R\$264.5 million for 2003. The increase resulted mainly from the increase in selling expenses in the face of aggressive competition.

Selling expenses. Selling expenses increased 54.6% to R\$264.9 million for 2004 from R\$171.3 million for 2003. The increase was principally due to an increase in personnel costs included in selling expenses and depreciation expenses related to Celular CRT's own stores, equipment and other assets, third-party services (such as marketing, client care and call centers) necessary in a highly competitive environment and provisions for doubtful accounts. Celular CRT's provision for doubtful accounts increased 108.9% to R\$21.9 million for 2004 from R\$10.5 million for

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2003, principally due to the increase in the customer base in 2004. As a result of this increase, provisions for doubtful credit restriction in 2003 and to the accounts were 1.4% of gross revenues for 2004, compared to 0.8% of gross revenues for 2003.

General and administrative expenses. General and administrative expenses increased 7.1% to R\$95.6 million for 2004 from R\$89.3 million for 2003. The increase was principally due to a R\$3.4 million increase in third-party services, a R\$1.9 million increase in administrative personnel costs and a R\$0.9 million increase in costs of supplies.

Other net operating (expense) income. CRT had other net operating income of R\$27.3 million for 2004, compared to other net operating expense of R\$3.9 million for 2003. The other net operating income recorded in 2004 was principally due to the recovery of expenses in the amount of R\$30.9 million resulting from increased efforts to collect monies owed from dealers, partially offset by an increase in litigation contingencies relating to tax and supplier disputes.

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The following table sets forth the components of Celular CRT's net financial income for the periods indicated, as well as the percentage change of each component from period to period.

	Years ended December 31		% Change
	2004	2003	
	R\$ million		
Financial income	74.3	83.2	-10.7%
Foreign currency exchange gain and losses	23.3	111.1	-79.0%
Net losses on foreign currency derivative contracts	(43.5)	(144.9)	-70.0%
Financial expenses	(28.3)	(31.7)	-10.7%
Financial income, net	25.8	17.7	45.8%

Celular CRT's net financial income increased 45.8% to R\$25.8 million for 2004 from R\$17.7 million for 2003. This change was principally due to the operating cash flow generated by the company, which increased its net cash balances.

Income and Social Contribution Taxes

Income and social contribution tax expenses decreased 17.9% to R\$56.7 million for 2004 from R\$69.1 million for 2003, principally due to the decrease in income before taxes. Celular CRT's effective tax rate was 23.7% for 2004, compared to 26.7% for 2003. These effective tax rates include the impact of the payment of interest on shareholders' equity, which is deductible for tax purposes and therefore lowers the effective tax rate.

Net Income

As a result of the foregoing, Celular CRT recorded net income of R\$182.0 million for 2004, compared to R\$189.4 million for 2003.

Celular CRT's Consolidated Results of Operations for the Year Ended December 31, 2002 and 2003

The following table sets forth certain components of Celular CRT's income for the periods indicated.

	Years ended December 31,		% Change
	2003	2002	
	<u>R\$ million</u>		
Net operating revenue	1,032.7	896.3	15.2%
Cost of services and goods	(526.2)	(456.6)	15.2%
Gross profit	506.5	439.7	15.2%
Operating expenses:			
Selling expenses	(171.3)	(168.3)	1.8%
General and administrative expense	(89.3)	(83.1)	7.5%
Other net operating (expense) income	(3.9)	18.3	-121.3%
Operating income before net financial expense	242.0	206.6	17.1%
Net financial expense	17.7	7.5	136.0%
Operating income	259.7	214.1	21.3%
Net non-operating expenses	(1.2)	(3.7)	-64.9%
Income before taxes	258.5	210.4	22.8%
Income taxes	(69.1)	(62.8)	9.9%
Net income	189.4	147.6	28.3%

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The composition of operating revenues by category of service is presented in Celular CRT's consolidated financial statements and discussed below before deduction of value-added and other taxes. The following table sets forth the components of Celular CRT's operating revenues for the periods indicated, as well as the percentage change of each component from period to period.

	Years ended December 31,		% Change
	2003	2002	
	R\$ million		
Gross operating revenue:			
Usage charges	601.6	477.2	26.1%
Sales of handsets and accessories	221.2	135.2	63.6%
Monthly subscription charges	104.1	148.1	-29.7%
Interconnection fees	406.0	362.4	12.0%
Other	65.8	39.4	67.0%
	<u>1,398.7</u>	<u>1,162.3</u>	20.3%
Total gross operating revenue	1,398.7	1,162.3	20.3%
Value-added and other indirect taxes	(241.7)	(216.8)	11.5%
Sales and services discount and return of goods sold	(124.3)	(49.2)	152.6%
	<u>1,032.7</u>	<u>896.3</u>	15.2%
Net operating revenue	1,032.7	896.3	15.2%

Net operating revenue increased 15.2% to R\$1,032.7 million for 2003 from R\$896.3 million for 2002. The increase in net revenues was principally due to an increase in revenues from usage charges, sales of handsets and accessories, interconnection fees and other revenues.

Usage charges. Revenues from usage charges increased 26.1% to R\$601.6 million for 2003 from R\$477.2 million for 2002. This increase was principally due to the 21.4% increase in the customer base to 2.523 million lines in service at December 31, 2003 from 2.078 million lines in service at September 30, 2002. The increase was partially offset by the impact of the long distance carrier selection codes implemented by Anatel on July 1, 2003, which allow customers to choose their carrier for domestic and long distance services (VC2 and VC3 calls) and international cellular calls.

Sales of handsets and accessories. Revenues from sales of handsets and accessories increased 63.6% to R\$221.2 million for 2003 from R\$135.2 million for 2002. This increase was mainly due an increase in selling prices with the objective of minimizing the financial impact of increases in the cost of handsets and accessories, as well as increases in volumes of medium and high-bracket handsets sold compared to the previous year. Celular CRT recorded a net gain from handset and accessory sales (calculated as the difference between net operating revenues from sales of handsets and accessories and the cost of handsets and accessories) of R\$37.1 million for 2003 and R\$29.7 million for 2002. Generally, however, Celular CRT pursues a strategy of subsidizing a portion of handset costs to encourage growth in customers and traffic, which often results in a net loss from such sales.

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Monthly subscription charges. Revenues from monthly subscription charges decreased 29.7% to R\$104.1 million for 2004 from R\$148.1 million for 2003. This decrease was principally due to the migration of customers subject to contract toward contracts with lower monthly subscription charges and also from migration of customers to prepaid service, which effect was partially offset by an increase in Celular CRT's monthly subscription rates.

Interconnection fees. Revenues from interconnection fees increased 12.0% to R\$406.0 million for 2003 from R\$362.4 million for 2002. This increase was principally due to an increase in our average interconnection fee rates, partially offset by a decrease in calls received by our network (due to the entry of a new competitor in the end of 2002) in spite of the increase in our customer base.

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Others. Revenues from other services increased 67.0% to R\$65.8 million for 2003 from R\$39.4 million for 2002. The increase was principally due to the increase in the use of additional services, such as caller ID, data transmission services, text message services, or SMS, and services designed for corporate customers, such as voice mail and SMS services.

Value-added and other indirect taxes. Value-added and other indirect taxes increased 11.5% to R\$241.7 million for 2003 from R\$216.8 million for 2002. This increase was principally due to the 20.3% increase in Celular CRT's gross operating revenues. However, value-added and other indirect taxes increased less than gross operating revenues because of a change in the composition of Celular CRT's gross operating revenues, not all of which were subject to ICMS and other indirect taxes during the entire period. Interconnection fees, for example, are not subject to ICMS tax, and increases in our revenues from interconnection fees tend to decrease our effective indirect tax rates. Value-added taxes and other indirect taxes were 17.3% of Celular CRT's gross operating revenue in 2003, compared to 18.7% in 2002.

Sales and services discount and returns of goods sold. Discounts and returns increased 152.6% to R\$124.3 million for 2003 from R\$49.2 million for 2002. The increase was principally due to an increase in discounts on handsets and accessories to gain new customers in the aftermath of the start-up of operations of a new competitor in November 2002. These discounts vary according to Celular CRT's desired response to competitive pressures. Sales and services discounts and returns of good sold represented 8.9% and 4.2%, respectively, of Celular CRT's gross operating revenues for 2003 and 2002.

Cost of Services and Goods

The following table sets forth the components of Celular CRT's costs of services and goods sold for the periods indicated, as well as the percentage change of each component from period to period.

	Years ended December 31,		
	2003	2002	% Change
	R\$ million		
Depreciation and amortization	(158.7)	(154.8)	2.5%
Materials and services	(46.9)	(44.7)	4.9%
Interconnection charges	(59.2)	(69.6)	-14.9%
Personnel	(7.5)	(8.7)	-13.8%
Rental, insurance and other related expenses	(17.9)	(14.9)	20.1%
Cost of handsets and accessories	(198.5)	(127.0)	56.3%
Fistel and other taxes	(37.5)	(36.9)	1.6%
Cost of services and goods	(526.2)	(456.6)	15.2%

Celular CRT's cost of services and goods increased 15.2% to R\$526.2 million for 2003 from R\$456.6 million 2002. The increase was principally due to an increase in the cost of handsets and accessories, partially offset by a decrease in interconnection charges. The gross profit margin (gross profit as a percentage of net operating revenues) remained almost constant at 49.0% for 2003, compared to 49.1% for 2002.

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Depreciation and Amortization. Depreciation and amortization expenses increased 2.5% to R\$158.7 million for 2003 from R\$154.8 million for 2002. The increase was principally due to the expansion of Celular CRT s network and support systems, which increased depreciable assets.

Materials and services. Cost of materials and services increased 4.9% to R\$46.9 million for 2003 from R\$44.7 million for 2002. The increase was principally due to an increase in the customer base and penetration of the network, which result in greater third-party maintenance costs, costs for rented circuits and transmission lines and other costs.

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Interconnection charges. Interconnection charges decreased 14.9% to R\$59.2 million for 2003 from R\$69.6 million for 2002, principally because of the introduction of long-distance carrier selection codes in 2003, the costs of VC2 and VC3 long-distance calls are borne by long-distance telecommunications companies rather than cellular telecommunications companies.

Personnel. Personnel expenses decreased 13.8% to R\$7.5 million for 2003 from R\$8.7 million for 2002. This decrease was principally due to reductions in personnel due to synergies obtained in offering certain uniform services among all the Vivo companies.

Rentals, insurance and other related expenses. Rentals, insurance and condominium fees increased 20.1% to R\$17.9 million for 2003 from R\$14.9 million for 2002. This increase was principally due to the increase in Celular CRT's customer base, which required expansion of Celular CRT's network infrastructure, including rented sites where Celular CRT's radio base stations are located.

Cost of handsets and accessories. The cost of handsets and accessories increased 56.3% to R\$198.5 million for 2003 from R\$127.0 million for 2002. The increase was principally due to the increase in handsets and accessories sold, particularly of more sophisticated handsets that increased the average price per handset.

Fistel and other taxes. Fistel and other tax expenses increased 1.6% to R\$37.5 million for 2003 from R\$36.9 million for 2002. The increase was principally due to the increase in the customer base, partially offset by a favorable change in the method of calculating the Fistel tax. Until mid-2003, the Fistel tax was based on monthly gross additions of clients but was changed in mid-2003 to be based on monthly net additions of clients.

Operating Expenses

The following table sets forth the components of Celular CRT's operating expenses for the periods indicated, as well as the percentage change of each component from period to period.

	Years ended December 31,		
	2003	2002	% Change
	R\$ million		
Selling expenses	(171.3)	(168.3)	1.8%
General and administrative expenses	(89.3)	(83.1)	7.5%
Other net operating (expenses) income	(3.9)	18.3	-121.3
Operating expenses	(264.5)	(233.1)	13.5%

Operating expenses increased 13.5% to R\$264.5 million for 2003 from R\$233.1 million for 2002. The increase occurred primarily because Celular CRT recorded other net operating expenses in 2003, compared to other net operating income in 2002, and because of an increase in

general and administrative expenses.

Selling expenses. Selling expenses increased 1.8% to R\$171.3 million for 2003 from R\$168.3 million for 2002. The increase was principally due to an increase in depreciation expenses related to stores, equipment and other assets, and third-party services (such as marketing, client care and call center services) necessary in a highly competitive environment, partially offset by a reduction in provisions for doubtful accounts. Celular CRT's provision for doubtful accounts decreased 41.1% to R\$10.5 million for 2003 from R\$17.8 million for 2002, principally due to more effective methods of assessing the creditworthiness of customers and due to the increase in the prepaid customer base of Celular CRT. Provisions for doubtful accounts were 0.8% of gross revenues for 2003, compared to 1.5% of gross revenues for 2002.

General and administrative expenses. General and administrative expenses increased 7.5% to R\$89.3 million for 2003 from R\$83.1 million for 2002. The increase was principally due to a R\$6.7 million increase in administrative personnel expenses and a R\$4.3 increase in depreciation expenses, partially compensated by a R\$6.8 million decrease in the cost of third-party services (such as consultant and transportation services) due to the renegotiation of contracts.

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Other net operating (expense) income. Other net operating expense of R\$3.9 million for 2003, compared to other net operating income of R\$18.3 million for 2002. The expense recorded in 2003 was principally due to a R\$7.3 million decrease in recovered expenses and an increase in taxes of R\$1.9 million. In addition, Celular CRT reduced its provisions in the amount of R\$9.0 million in 2003, which had a one-time positive effect on the results in that year.

Net Financial (Expense) Income

The following table sets forth the components of Celular CRT's net financial income for the periods indicated, as well as the percentage change of each component from period to period.

	Years Ended December 31,		% Change
	2003	2002	
	R\$ million		
Financial income	83.2	24.3	242.8%
Foreign currency exchange gain and losses	111.1	(223.3)	-149.8%
Gain (Losses) on foreign currency derivative contracts	(144.9)	239.9	-160.4%
Financial expenses	(31.7)	(33.4)	-4.8%
Financial income, net	17.7	7.5	136.0%

Celular CRT's net financial income increased 136.0% to R\$17.7 million for 2003 from R\$7.5 million for 2002. This change was due in part to the operating cash flow generated by the company, which increased average cash balances, as well as an increase in the CDI rate to 23.25% in 2003 from 19.11% in 2002, leading to higher financial income.

Income and Social Contribution Taxes

Income and social contribution tax expenses increased 9.9% to R\$69.1 million for 2003 from R\$62.8 million for 2002, principally due to the increase in income before taxes. Celular CRT's effective tax rate was 26.7% and 29.8% for 2003 and 2002, respectively.

Net Income

As a result of the foregoing, Celular CRT recorded net income of R\$189.4 million for 2003, compared to R\$147.6 million for 2002.

Celular CRT's Liquidity and Capital Resources

Sources of Funds

Celular CRT generated cash flow from operations of R\$189.6 million and R\$257.6 million in the nine months ended September 30, 2005 and 2004, respectively.

Celular CRT generated cash flow from operations of R\$368.7 million and R\$464.7 million for the year ended December 31, 2004 and 2003, respectively.

Celular CRT had net cash used in financing activities of R\$99.7 million in the nine months ended September 30, 2005, compared to net cash provided by financing activities of R\$58.7 million in the nine months ended September 30, 2004. In the nine months ended September 30, 2005, net cash used in financing activities consisted of loan repayments of R\$84.1 million and net settlements on derivative contracts of R\$20.2 million.

Celular CRT had R\$133.3 million in long-term loans and financing at September 30, 2005, compared to R\$159.3 million of long-term loans and financing at December 31, 2004. Celular CRT had R\$7.3 million in

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short-term loans and financing at September 30, 2005, consisting primarily of funding from financial institutions, compared to R\$108.7 million in short-term loans financing at December 31, 2004. At September 30, 2005, Celular CRT had working capital (current assets minus current liabilities) of R\$547.5 million.

We believe that Celular CRT's available borrowing capacity, together with funds generated by operations, should provide sufficient liquidity and capital resources to pursue Celular CRT's business strategy for the foreseeable future with respect to working capital, capital expenditures and other operating needs.

CRT had cash flow from investing activities in the amount of R\$163.4 million, related primarily to additions to property, plant and equipment.

Uses of Funds

Celular CRT's principal uses of funds are for capital expenditures, servicing of its debt and payments of dividends to shareholders.

Capital expenditures (including capitalized interest) consumed cash flows of R\$162.9 million in the nine months ended September 30, 2005, compared to R\$107.0 million in the nine months ended September 30, 2004. Capital expenditures (including capitalized interest) consumed cash flows of R\$204.3 million in 2004, R\$142.7 million in 2003 and R\$112.0 million in 2002. Capital expenditures were as set forth in the table below.

	Nine Months Ended September 30,	
	2005	2004
	R\$ million	
Switching equipment	27.3	39.3
Transmission equipment	93.7	40.0
Information Technology	2.3	
Others	39.6	27.7
Total capital expenditures	162.9	107.0

Repayment of debt consumed cash flows of R\$84.1 million and R\$67.4 million in the nine months ended September 30, 2005 and 2004, respectively. Repayment of debt consumed cash flows of R\$101.6 million in 2004, R\$110.4 million in 2003 and 55.7 million in 2002. Net settlements of derivative contracts provided cash flows of R\$20.2 million in the nine months ended September 30, 2005 but represented a use of cash of R\$8.8 million in the nine months ended September 30, 2004.

Celular CRT paid only minimal dividends and interest on shareholders' equity in the nine months ended September 30, 2005 and 2004 because those payments are typically recorded in the fourth quarter. Celular CRT paid dividends and interest on shareholders' equity of R\$56.1 million in 2004, R\$30.5 million in 2003 and R\$35.7 million in 2002.

Debt

As of September 30, 2005, Celular CRT's total debt position was as follows:

Debt	Amount Outstanding as of September 30, 2005
	R\$ millions
Financing from banks	140.2
Interest	0.5
Total long-term debt, excluding the short-term portion	133.3
Short-term debt	7.3
Total debt	140.6

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Celular CRT's long-term debt as of September 30, 2005 matures in accordance with the following schedule. The table below represents only the long-term debt as of September 30, 2005 and does not include the short-term portion of long-term debt as of September 30, 2005, which is included in short-term debt in the table above.

<u>Year Ending December 31,</u>	<u>Principal Amount</u>
	<u>R\$ millions</u>
2007	133.3

As of September 30, 2005, Celular CRT's total debt was R\$140.7 million, all of which was denominated in U.S. dollars (U.S.\$63.3 million) and therefore exposed to currency fluctuations. Devaluation of the *real* results in exchange losses on foreign currency indebtedness. In order to protect against the risk of devaluation of the *real*, Celular CRT has entered into over-the-counter derivatives transactions with international and domestic financial institutions. In the nine months ended September 30, 2005, Celular CRT's derivatives positions produced a loss of R\$24.9 million, which was offset by the R\$40.7 million of exchange gains on Celular CRT's foreign currency-denominated debt. At September 30, 2005, Celular CRT had derivative contracts that covered amounts in excess of its foreign currency-denominated debt.

Celular CRT is exposed to interest rate risk as a consequence of its floating rate debt. At September 30, 2005, approximately 100% of Celular CRT's interest-bearing liabilities bore interest at floating rates, primarily LIBOR.

Some of the debt agreements of Celular CRT contain cross-default provisions, restrictions on changes of control and restrictive covenants relating to the incurrence of indebtedness. Financial ratios involve (1) interest coverage ratios and (2) debt to capital ratios. At September 30, 2005, Celular CRT was in compliance with its restrictive covenants. See note 12 to Celular CRT's unconsolidated financial statements included in this prospectus.

Off-Balance Sheet Arrangements

As of September 30, 2005, there were no off-balance sheet arrangements. Celular CRT's majority-owned subsidiary is included in its consolidated financial statements. Celular CRT does not have any interests in, or relationships with, any special purpose entities that are not reflected in its consolidated financial statements.

Contractual Obligations and Commercial Commitments

The following table represents Celular CRT's consolidated contractual obligations and commercial commitments as of December 31, 2004:

<u>Payments Due by Period in Millions of Reais</u>				
Total	Less than 1 Year	1-3 Years	4-5 Years	After

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					5 years
Contractual obligations:					
Long-term debt(1)	268.0	107.1	160.9	0.0	0.0
Capital lease obligations	0.0	0.0	0.0	0.0	0.0
Operating leases	480.9	48.6	95.7	94.0	242.6
Unconditional purchase obligations	169.5	168.2	1.3	0.0	0.0
Other long-term obligations	32.0	14.1	17.9	0.0	0.0
Total contractual cash obligations	950.4	338.0	275.8	94.0	242.6

- (1) Not including future interest payments on debt or payments under interest rate swap agreements. We are unable to determine future interest payments because Celular CRT's debt bears interest at floating rates, and we cannot accurately predict future interest or foreign currency rates. See the discussion above regarding the nature of Celular CRT's debt and certain related derivative contracts.

Total contractual obligations at September 30, 2005 were R\$685.7 million and R\$950.4 million at December 31, 2004. This reduction was mainly caused by a decrease in long-term debt and unconditional purchase obligations.

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U.S. GAAP Reconciliation

Celular CRT prepares its consolidated financial statements in accordance with Brazilian GAAP, which differs in significant respects from U.S. GAAP. Net income for the nine months ended September 30, 2004 and 2005 was R\$123.0 million and R\$105.6 million, respectively, under U.S. GAAP, compared to net income of R\$131.9 million and R\$104.4 million, respectively, under Brazilian GAAP. Under U.S. GAAP, net income was R\$52.8 million in 2002, R\$283.3 million in 2003 and R\$169.0 million in 2004, compared to net income of R\$147.6 million in 2002, R\$189.4 million in 2003 and R\$182.0 million in 2004 under Brazilian GAAP.

Shareholders' equity was R\$971.5 million at December 31, 2003, R\$1,065.2 million at December 31, 2004 and R\$1,228.9 million at September 30, 2005 under U.S. GAAP, compared to shareholders' equity of R\$954.9 million at December 31, 2003, R\$1,061.6 million at December 31, 2004 and R\$1,224.2 million at September 30, 2005 under Brazilian GAAP.

See note 19 to Celular CRT's unaudited consolidated financial statements and note 31 to Celular CRT's audited consolidated financial statements for a description of the principal differences between Brazilian GAAP and U.S. GAAP as they relate to Celular CRT and a reconciliation to U.S. GAAP of net income and total shareholders' equity.

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PART FIVE THE MERGER

Reasons for the Merger

We believe that the merger will enable us to:

align the interests of the shareholders of TCP, of its subsidiary TCO, and of TLE, TSD and Celular CRT, which are all currently under common control;

provide you with securities that we expect will enjoy greater market liquidity than the securities you currently hold;

simplify the shareholding and organizational structure of the VIVO business and expand its shareholder base; and

take advantage of important synergies among the companies, which are already operating under the same brand name VIVO.

Background for the Merger

Privatization of Telebrás

Before its privatization in 1998, Telebrás and its operating subsidiaries, which we refer to collectively as the Telebrás system, held a near monopoly over the provision of public telecommunications services in Brazil. In 1995, the Brazilian federal government began a comprehensive reform of Brazil's telecommunications regulatory system.

In July 1997, Brazil's national congress adopted the General Telecommunications Law, which provided for the establishment of a new regulatory framework, the introduction of competition and the privatization of the Telebrás system.

In January 1998, in preparation for the restructuring and privatization of the Telebrás system, the cellular telecommunications operations of the Telebrás system were spun off into separate companies. In May 1998, the Telebrás system was restructured to form, in addition to Telebrás, 12 new holding companies. Virtually all of the assets and liabilities of Telebrás's operating subsidiaries were allocated to the new holding companies, which we refer to as the New Holding Companies. The New Holding Companies, together with their respective subsidiaries, consisted of (1) eight cellular holding companies, each in one of eight cellular regions, holding one or more operating companies that provide cellular services; (2) three wireline holding companies, each in one of three wireline regions, holding one or more operating companies that provide local and intraregional long distance services; and (3) Embratel Participações S.A., a holding company of Empresa Brasileira de Telecomunicações S.A. Embratel.

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TCP, TCO, TLE and TSD were New Holding Companies. In connection with the reorganization of the Telebrás system:

TCP was allocated all of the share capital held by Telebrás in Telesp Celular, one of the cellular operating companies that provided cellular telecommunications services in the state of São Paulo;

TCO was allocated all of the share capital held by Telebrás in the operating subsidiaries that provided cellular telecommunications service in the western concession region formerly known as Area 7;

TLE was allocated all of the share capital held by Telebrás in the operating subsidiaries that provided cellular telecommunications services in the states of Bahia and Sergipe; and

TSD was allocated all of the share capital held by Telebrás in one of the cellular operating companies that provided cellular telecommunications services in the states of Rio de Janeiro and Espírito Santo.

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In July 1998, as part of its restructuring and privatization plan, the Brazilian federal government sold substantially all of its common shares of the New Holding Companies to private sector buyers.

Privatization of Companhia Riograndense de Telecomunicações

In connection with the reorganization of Companhia Riograndense de Telecomunicações, the government of the state of Rio Grande do Sul sold to Telefónica both the fixed line and cellular telecommunications operations, which were then split on June 25, 1998, resulting in the organization and spin off of Celular CRT, the operator that provided cellular telecommunications services in the state of Rio Grande do Sul.

Ownership of TCP, TCO, TLE, TSD and Celular CRT After the Privatization

TCP and its Subsidiaries

The federal government's shares of TCP were purchased by Portelcom Participações S.A., or Portelcom, a consortium comprised of Portugal Telecom S.A., or Portugal Telecom, which owned 64.2% of Portelcom, and Telefónica, which owned the remaining 35.8% of the shares in Portelcom. In July 1998, Portelcom acquired 51.8% of the common stock of TCP. In 2000, Portugal Telecom increased its participation in TCP to 85.1% of the common shares and 17.7% of the preferred shares through a public tender offer and a later capital increase of TCP.

In November 2000, after the approval of Anatel, Telefónica effected a stock swap transaction with Portugal Telecom involving their participations in Telesp Celular and Telecomunicações de São Paulo S.A.-TELESP, known as Telesp. In the stock swap transaction, Telefónica swapped 35.8% of its direct and indirect stake in Portelcom for Portugal Telecom's 23% indirect stake in SP Telecomunicações Holding. SP Telecomunicações Holding was a consortium of Portugal Telecom and Telefónica Móviles that invested in fixed telecommunications. Therefore, as a consequence of such stock swap transaction, Telefónica Móviles exited from its investment in Portelcom and Portugal Telecom exited from its investment in SP Telecomunicações Holding. This transaction increased Portugal Telecom's participation in Telesp Celular from 36.2% to 41.2%.

In September 2002, TCP undertook a R\$2.5 billion capital increase. After this capital increase, Portugal Telecom's participation in TCP increased to 93.7% of the voting shares, 49.8% of the preferred shares and 65.1% of the total capital.

On January 23, 2001, Portugal Telecom and Telefónica Móviles entered into a strategic agreement to create a cellular services company in Brazil that would aggregate all of their investments in cellular telecommunications businesses to the extent permitted under Brazilian law. In December 2002, Anatel approved the joint venture between Portugal Telecom and Telefónica Móviles. This joint venture, named Brasilcel N.V., or Brasilcel, with headquarters in the Netherlands, is managed by Portugal Telecom and Telefónica Móviles on an equal basis.

In December 2002, Portugal Telecom and Telefónica Móviles transferred to Brasilcel all their direct and indirect interests in TCP, TCO, TLE, TSD and Celular CRT.

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At September 30, 2005, TCP was controlled by Brasilcel (57.23% of our total capital stock) and Portelcom (8.86% of our total capital stock). Portelcom is an indirect wholly owned subsidiary of Brasilcel.

Telesp Celular has been a wholly owned subsidiary of TCP since a corporate restructuring in January 2000.

Global Telecom was formed to acquire a B Band cellular concession in the states of Paraná and Santa Catarina, known as Area 5. In April 1998, Global Telecom won the concession for Area 5 and, after building out its network, began commercial operations in December 1998. In February 2001, TCP acquired an 81.61% indirect economic interest in Global Telecom through the acquisition of 49% of the voting shares and 100% of the non-voting shares of each of three holding companies that collectively held 95% of the voting shares and

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100% of the non-voting shares of Global Telecom. The remaining 5% of Global Telecom's voting shares were held by another investor who, upon authorization from Anatel in July 2001, sold them to the three holding companies. On December 11, 2002, after all of the TCP operators had switched over to the SMP system, Anatel approved our acquisition of the remaining capital stock of the three holding companies, and TCP acquired the remaining portion of those three holding companies on December 27, 2002. On March 31, 2003, after a restructuring process, TCP became the direct holder of 100% of the capital stock of Global Telecom.

On April 25, 2003, TCP acquired 61.1% of the total common shares (including treasury shares) of TCO from Fixcel S.A., or Fixcel. On October 9, 2003, TCP launched a tender offer for the remaining common shares of TCO in compliance with Brazilian law, and TCP acquired 74.2% of the available outstanding common shares pursuant to that tender offer.

On October 8, 2004, TCP purchased preferred shares of TCO representing 32.8% of TCO's total preferred shares pursuant to a public tender offer through an auction on the São Paulo Stock Exchange. In July 2005, TCP acquired additional voting capital stock of TCO in a capital increase. See Part Four: Information About the VIVO Companies Management's Discussion and Analysis of Financial Condition and Results of Operations Recent Developments.

As a result of these transactions, TCP now holds 90.6% of TCO's common shares, 32.8% of TCO's preferred shares and 52.5% of TCO's total capital stock.

TCO and its Subsidiaries

The federal government's shares of TCO were purchased by Splice do Brasil Telecomunicações e Electronica S.A., or Splice, through BID S.A., its subsidiary at the time.

Telebrasília, Telegoias, Telemat, Telems, Teleron and Teleacre were formed on January 5, 1998 by spinning off the cellular telecommunications operations of various operating subsidiaries of Telebrás. Telebrasília merged into TCO on April 26, 2002.

On October 19, 1998, Tele Centro Oeste/Inepar, a consortium comprised of Inepar S.A. Indústria e Construções and TCO, was awarded a license to provide cellular telecommunications services in the northwestern concession area formerly known as Area 8. On May 21, 1999, TCO acquired 45% of Tele Centro Oeste/Inepar from Inepar, increasing its holding in the consortium to 95%. Upon acquiring control, TCO renamed Tele Centro Oeste/Inepar Norte Brasil Telecom S.A., or NBT, and registered it as a non-publicly held company.

On November 21, 2000, SPLICE IP S.A. was formed as a closed corporation. TCO held 100% of its preferred shares and Splice held 99.99% of its common shares. As of March 5, 2001, the control of SPLICE IP S.A. passed to TCO when TCO bought 99.99% of the common shares from Splice and renamed the entity TCO IP S.A.

In 2000 and 2001, TCO conducted tender offers for the remaining publicly held common and preferred shares of Telegoias, Telemat, Telems, Teleron and Teleacre. Although these tender offers are complete, from time to time TCO voluntarily repurchases small numbers of publicly held

shares.

On December 31, 2001, Splice transferred all of its shares of BID S.A. to Fixcel. Fixcel sold its interest in TCO to TCP in April 2003, as described in TCP and its Subsidiaries above.

TLE

As noted above, when the cellular telecommunications businesses of the operating subsidiaries of Telebrás were spun off as individual companies, TLE received all the capital stock held by Telebrás in the subsidiaries that provided cellular telecommunication services in the states of Bahia and Sergipe, namely, Telebahia Celular and Telergipe Celular.

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In July 1998, the federal government sold almost all of its common shares in the holding companies resulting from the spin-off, including those of TLE, which were purchased by a consortium formed by Iberdrola Investimentos Sociedade Unipessoal Ltda., an investment company controlled by Iberdrola S.A. and Telefónica Internacional S.A., a subsidiary of Telefónica.

On May 17, 1999 Iberoleste Participações S.A. purchased 3.07% of Telebahia's capital stock and 6.54% of Telergipe's capital stock in a tender offer. In February 2000, Telefónica and Iberdrola transferred their shares to Iberoleste, maintaining their same percentage interest in the consortium.

On April 5, 2001, Telefónica purchased all the capital stock directly and indirectly held by the Iberdrola Group in TLE.

In 2002 Telefónica transferred to Brasilcel all its interests in TLE.

On October 8, 2004, Avista Participações Ltda., a subsidiary of Brasilcel, purchased common shares of TLE representing 10.0% of TLE's total common shares and preferred shares of TLE representing 29.51% of TLE's total preferred shares pursuant to a public tender offer through an auction on the São Paulo Stock Exchange. In July 2005, Brasilcel and its affiliates acquired additional voting capital stock of TLE in a capital increase. See Part Four: Information About the VIVO Companies Management's Discussion and Analysis of Financial Condition and Results of Operations Recent Developments.

As a result of these transactions, Brasilcel now holds 68.72% of TLE's common shares, 40.95% of TLE's preferred shares and 50.67% of TLE's total capital stock.

TSD

As noted above, when the cellular telecommunications businesses of the operating subsidiaries of Telebrás were spun off as individual companies, TSD received all the capital stock held by Telebrás in the subsidiaries that provided cellular telecommunication services in the States of Rio de Janeiro and Espírito Santo, namely, Telerj Celular and Telest Celular, respectively.

In July 1998, the federal government sold almost all of its common shares in the holding companies resulting from the spin-off, including those of TSD, which were purchased by a consortium formed by Telefónica Internacional S.A., a subsidiary of Telefónica, Iberdrola Investimentos Sociedade Unipessoal Ltda., NTT Mobile Communications Network, Inc. and Itochu Corporation.

In May 2000, Telefónica acquired 67.51% of TSD's capital stock through an exchange offer. On April 5, 2001, Telefónica purchased from the Iberdrola group, with the authorization of Anatel, 7% of the capital stock of Sudestecel Participações S.A., a holding company that controlled TSD.

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In 2002 Telefónica transferred to Brasilcel all its interests in TSD.

On October 8, 2004, Avista Participações Ltda., a subsidiary of Brasilcel, purchased common shares of TSD representing 3.27% of TSD's total common shares and preferred shares of TSD representing 4.89% of TSD's total preferred shares pursuant to a public tender offer through an auction on the São Paulo Stock Exchange. In July 2005, Brasilcel and its affiliates acquired additional voting capital stock of TSD in a capital increase. See Part Four: Information About the VIVO Companies Management's Discussion and Analysis of Financial Condition and Results of Operations Recent Developments.

As a result of these transactions, Brasilcel now holds 92.01% of TSD's common shares, 90.27% of TSD's preferred shares and 91.03% of TSD's total capital stock.

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Celular CRT

Cellular telecommunications services were first offered in the state of Rio Grande do Sul in December 1992 by a business unit of CRT Companhia Riograndense de Telecomunicações. The fixed and cellular operations of CRT were split on June 25, 1998, and the cellular operations were spun off as Celular CRT.

On May 4, 1999, Celular CRT obtained its registration as a publicly-held company with the CVM for the trading of its shares on the over-the-counter market organized by Sociedade Operadora do Mercado de Ativos SOMA, starting on May 17, 1999. On September 8, 1999, Celular CRT registered with the Extremo Sul Stock Exchange and Bovespa, pursuant to the applicable laws. The main shareholder of Celular CRT was the state of Rio Grande do Sul. In 1996, the state of Rio Grande do Sul sold part of its stake in Celular CRT to Telefónica. In 1998, the remaining stake of the state of Rio Grande do Sul was sold to Telefónica. In 1999, Portugal Telecom subscribed a share capital increase of Celular CRT.

In 2002, the shares owned by PT Móveis Serviços de Telecomunicações, SGPS and Telefónica were transferred to Brasilcel.

On October 8, 2004, Avista Participações Ltda., a subsidiary of Brasilcel, purchased common shares of Celular CRT representing 4.48% of Celular CRT's total common shares and preferred shares of Celular CRT representing 23.44% of Celular CRT's total preferred shares pursuant to a public tender offer through an auction on the São Paulo Stock Exchange. In July 2005, Brasilcel and its affiliates acquired additional voting capital stock of Celular CRT in a capital increase. See Part Four: Information About the VIVO Companies Management's Discussion and Analysis of Financial Condition and Results of Operations Recent Developments.

As a result of these transactions, Brasilcel now holds 90.57% of Celular CRT's common shares, 51.47% of Celular CRT's preferred shares and 68.77% of Celular CRT's total capital stock (excluding treasury shares).

VIVO

TCP, TCO, TLE, TSD and Celular CRT are all controlled by Brasilcel and have been operating under the brand name VIVO since April 2003. The common commercial strategy of VIVO is to increase customer base as well as revenues, by acquiring new customers as well as maintaining distribution channels.

In particular, our current strategy focuses on improving our relationship with our best customers, as well as growing in order to benefit from the market potential. We intend to pursue this strategy through technological diversification, the maintenance of a customer-driven strategy aimed at achieving a balance between competitive pricing and quality service, and market segmentation in order to better tailor our commercial efforts.

Our strategy also focuses on managing our business prudently and achieving consistency in our results by adapting to the unique competitive environment of each individual region in which we operate. Ultimately, we pursue a balance of growth and profitability, in order to maintain our margins within manageable levels and avoid loss of value.

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According to data published by Anatel, VIVO has 36.1% of the total market in Brazil and 45.9% of the total market in its authorized areas, with 28.8 million users at September 30, 2005. Its operations cover an area with approximately 135 million inhabitants, or 73% of the Brazilian population.

Upon the completion of the merger of shares of TCO and the merger of companies of each of TLE, TSD and Celular CRT with TCP, TCP will be renamed Vivo Participações S.A. and will be the holding company of TCO and of the subsidiaries of TLE, TSD and Celular CRT.

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Merger

On December 4, 2005, the board of executive officers (*diretorias*) of TCP, TCO, TLE, TSD and Celular CRT signed a Protocol of Merger of Shares and Merger of Companies and Instrument of Justification containing the terms and conditions of the merger and outlining the reasons for the merger of shares of TCO and the merger of companies of TLE, TSD and Celular CRT, with TCP. On the same date, the boards of directors (*conselhos de administração*), of TCP and of each of TCO, TLE, TSD and Celular CRT approved the Protocol of Merger of Shares and Merger of Companies and Instrument of Justification.

On December 4, 2005, the board of auditors (*conselhos fiscais*) of TCP and of each of TCO, TLE, TSD and Celular CRT reviewed the terms and conditions of the merger in separate meetings and issued favorable opinions with respect to the merger.

On December 5, 2005, TCP, TCO, TLE, TSD and Celular CRT published notices of extraordinary meetings of their respective voting shareholders to approve the merger.

Extraordinary general meetings to approve the merger are scheduled for _____, 2006.

Terms of the Merger

General

The merger must be approved at separate extraordinary general meetings of the shareholders of TCP and of each of TCO, TLE, TSD and Celular CRT scheduled to be held on _____, 2006.

The completion of the merger of shares of TCO with TCP, and of the merger of companies of TLE, TSD and Celular CRT into TCP is contingent upon the approval at the shareholder meetings of holders of at least 50% plus one of the aggregate TCP common shares and preferred shares that are present at a duly convened extraordinary general meeting, and holders of at least 50% plus one of the aggregate common shares of TCO, TSD and Celular CRT, respectively. The completion of the merger of TLE with TCP is contingent upon the approval at the shareholder meetings of holders of at least 50% plus one of the aggregate TCP common shares and preferred shares that are present at a duly convened extraordinary general meeting, and holders of at least 50% plus one of the aggregate common shares and preferred shares of TLE. The holders of preferred shares of TCP and TLE will be entitled to vote on the transaction because those shares currently have voting rights due to the nonpayment of dividends. See Part Six: Shareholder Rights Information About Historical Dividend Payments TCP and TLE.

If the merger is approved:

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TCO will become a wholly owned subsidiary of TCP, and TLE, TSD and Celular CRT will merge with and into TCP with TCP as the surviving company;

holders of common shares of TCO and direct holders of preferred shares of TCO will receive 3.0830 common shares or preferred shares of TCP for each common share or preferred share, respectively, they hold without any further action by those holders; holders of ADSs of TCO will receive 3.0830 ADSs of TCP for each ADS they hold upon surrender of TCO's ADSs and payment of any fees and expenses of the TCO depository and of the TCP depository;

holders of common shares of TLE and direct holders of preferred shares of TLE will receive 3.8998 common shares or preferred shares of TCP for each common share or preferred share, respectively, they hold without any further action by those holders; holders of ADSs of TLE will receive 3.8998 ADSs of TCP for each ADS they hold upon surrender of TLE's ADSs and payment of any fees and expenses of the TLE depository and of the TCP depository;

holders of common shares of TSD and direct holders of preferred shares of TSD will receive 3.2879 common shares or preferred shares of TCP for each common share or preferred share, respectively, they

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hold without any further action by those holders; holders of ADSs of TLE will receive 3.2879 ADSs of TCP for each ADS they hold upon surrender of TSD's ADSs and payment of any fees and expenses of the TSD depository and of the TCP depository; and

holders of common shares or preferred shares of Celular CRT will receive 7.0294 common shares or preferred shares of TCP for each common share or preferred share, respectively, they hold without any further action by those holders; Celular CRT does not have and ADS program.

Brasilcel holds, directly and indirectly, 92.51% of the common shares and 50.02% of the preferred shares of TCP, representing 66.09% of TCP's total voting shares, and has represented to TCP that it and its subsidiaries will vote the shares of TCP they hold in favor of the merger.

TCP holds 90.59% of the voting common shares of TCO, and it intends to vote the shares of TCO it holds in favor of the merger.

Brasilcel also holds, directly and indirectly, 68.72% of the common shares and 40.95% of the preferred shares of TLE, representing 50.67% of TLE's total voting shares, 92.01% of the voting common shares of TSD and 90.57% of the voting common shares of Celular CRT, and has represented to TCP that it and its subsidiaries will vote the shares of TLE, TSD and Celular CRT they hold in favor of the merger.

Brasilcel and its subsidiaries will hold no less than 89.03% of TCP's common shares after the merger, assuming that none of the common shareholders of TCP, TCO, TLE and Celular CRT, and none of the common and preferred shareholders of TSD exercises appraisal rights in connection with the merger.

Under the Protocol of Merger of Shares and Merger of Companies and Instrument of Justification, governing the merger, TCP will undergo a capital increase in the amount of R\$2,631,136,636.01 as a result of the merger, from R\$6,670,152,498.26 to R\$9,301,289,134.27, assuming that common shareholders of TCP, TCO, TLE and Celular CRT, and common and preferred shareholders of TSD do not exercise appraisal rights in connection with the merger. The agreements also provide that Celular CRT's preferred shares held in treasury will be transferred to TCP in connection with the merger. The Protocol of Merger of Shares and Merger of Companies and Instrument of Justification, which is filed as exhibit to the registration statement of which this prospectus is a part, is incorporated by reference into this prospectus.

Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or CVM, regulations permit the acquiror of a publicly held company to capitalize the tax benefits arising from the amortization of goodwill generated in the acquisition of that company, for so long as preemptive rights are extended to the other shareholders of the publicly held company in connection with the capital increase. At the time of the merger, any rights previously held by TCP, in connection with its existing investment in TCO, or by third parties, in the case of TLE and Celular CRT, to capitalize credits of such companies will remain in effect. As a result, upon the merger TCP will retain its prior rights to capitalize its credits in TCO and such third parties will acquire the right to use their credits in future capital increases of TCP. See Protocol of Merger of Shares and Merger of Companies and Instrument of Justification, incorporated herein by reference.

See Part Seven: Additional Information for Shareholders Where You Can Find More Information for instructions on how to obtain copies of these documents.

There are no conditions to the completion of the merger of shares of TCO with TCP or the merger of companies of each of TLE, TSD and Celular CRT into TCP other than shareholder approval by both TCP, on the one side, and TCO, TLE, TSD and Celular CRT, respectively, on

the other side.

The approval of the merger by the CVM is not a condition to the merger. However, the CVM has the authority to suspend the shareholders meetings for up to 15 days if it believes such a suspension is necessary to enable it to analyze the transaction and verify that it does not breach applicable laws and regulations. See Part Three: Risk Factors Risks Relating to the Brazilian Telecommunications Industry and the Business The CVM, the Brazilian securities regulator, may suspend for up to 15 days the shareholders meetings scheduled to approve the merger.

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Date, Time and Place of the Meeting

The extraordinary general meeting of each of TCO, TLE, TSD and Celular CRT is scheduled to be held as follows:

, 2006

2 p.m., local time

Tele Centro Oeste Celular Participações S.A.

SCS - Quadra 2, Bloco C, 226

Edifício Telebrásília Celular, 7º andar

70302-916 - Brasília, DF

Brazil

Tele Sudeste Celular Participações S.A.

Praia de Botofago, 501

Torre Corcovado, 7º andar

22250-040 - Rio de Janeiro, RJ

Brazil

Tele Leste Celular Participações S.A.

Av. Roque Petroni Júnior, 1464

04707-000 - São Paulo, SP

Brazil

Celular CRT Participações S.A.

Rua José Bonifácio, 245, Farroupilha

90040-130 - Porto Alegre, RS

Brazil

Under the Brazilian corporation law, you may be required to show a document proving your identity to gain admittance to the meeting, provided you are entitled to attend the meeting.

TCO

If you hold common shares you may attend and vote at the TCO meeting.

If you hold preferred shares you may attend the TCO meeting, but you may not vote.

If you hold ADSs you are not entitled to attend or vote at the TCO meeting.

TLE

If you hold common shares you may attend and vote at the TLE meeting.

If you hold preferred shares you may attend and vote at the TLE meeting.

If you hold ADSs you are not entitled to attend the TLE meeting, but you may communicate your voting instructions to the TLE depositary.

TSD

If you hold common shares you may attend and vote at the TSD meeting.

If you hold preferred shares you may attend the TSD meeting, but you may not vote.

If you hold ADSs you are not entitled to attend or vote at the TSD meeting.

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Celular CRT

If you hold common shares you may attend and vote at the Celular CRT meeting.

If you hold preferred shares you may attend the Celular CRT meeting, but you may not vote.

Receipt of Shares and ADSs of TCP

If the merger is approved, each common share or preferred share:

of TCO will become 3.0830 common shares or preferred shares, respectively, of TCP;

of TLE will become 3.8998 common shares or preferred shares, respectively, of TCP;

of TSD will become 3.2879 common shares or preferred shares, respectively, of TCP; and

of Celular CRT will become 7.0294 common shares or preferred shares, respectively, of TCP,

in each case without any action by you. Because the common shares and preferred shares of TCP are book-entry shares, an entry or entries will be made in the share registry of TCP to evidence the common shares or preferred shares received in the merger. Neither you nor any other person will receive certificates evidencing common shares or preferred shares of TCP.

Holders of ADSs representing preferred shares will receive:

3.0830 ADSs representing preferred shares of TCP in the merger for each ADS of TCO they hold;

3.8998 ADSs representing preferred shares of TCP in the merger for each ADS of TLE they hold; and

3.2879 ADSs representing preferred shares of TCP in the merger for each ADS of TSD they hold,

upon surrender of the ADSs of TCO, TLE or TSD, as the case may be, and payment of the fees and expenses of the TCO, TLE or TSD depositary, respectively, and of the TCP depositary.

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Although the merger will be effective by operation of law once the requisite shareholder approvals have been obtained, the common and preferred shares of TCO, TLE, TSD and Celular CRT will continue to trade on the São Paulo Stock Exchange under their existing ticker symbols until the later of:

the end of the period for the exercise of appraisal rights by those shareholders to whom appraisal rights are available (which period will end not less than 30 days after publication of the minutes of the extraordinary general shareholders' meetings called to approve the merger, as described in "Appraisal or Dissenters' Rights" below); and

the end of the period during which management of TCP is permitted pursuant to the Brazilian corporation law to unwind the merger. Under the Brazilian corporation law, if management of TCP believes that the total value of the appraisal rights exercised by shareholders of the Targets may put at risk the financial stability of New TCP, management may, within 10 days after the end of the appraisal rights period, call a general meeting of shareholders to unwind the merger.

During the period described above, the ADSs of TCO, TLE and TSD will continue to trade on the New York Stock Exchange under their existing ticker symbols.

TCP has already agreed with the São Paulo Stock Exchange that once elapsed such transitional period, those shares will trade under the ticker symbol for TCP's common shares, VIVO3, and the ticker symbol for TCP's preferred shares, VIVO4, respectively. TCP will apply to list the TCP ADSs to be received by holders of TCO, TLE and TSD ADSs on the New York Stock Exchange under the symbol VIV.

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Delivery of TCP ADRs

Important Note: Celular CRT does not have an ADS program, and no holder of Celular CRT common shares or preferred shares will receive TCP ADRs.

Holders of ADSs representing preferred shares:

of TCO, will receive 3.0830 ADSs representing preferred shares of TCP for each TCO ADS they hold;

of TLE, will receive 3.8998 ADSs representing preferred shares of TCP for each TLE ADS they hold;

of TSD, will receive 3.2879 ADSs representing preferred shares of TCP for each TSD ADS they hold.

After the merger becomes effective and the end of the period for the exercise of appraisal rights, where applicable (see Appraisal or Dissenters Rights), TCP will deposit with a custodian for The Bank of New York, as depositary under each of the TCO, TLE and TSD ADS programs, the TCP preferred shares issuable in respect of the ADSs of TCO, TLE or TSD then held in that program. The Bank of New York, as depositary, will deposit those TCP preferred shares with the custodian for The Bank of New York, as depositary under the TCP ADS program, and instruct that depositary to cause to be issued and to deliver, subject to payment of the fees and expenses of that depositary under the TCP deposit agreement (which will not be in excess of \$5.00 or less per 100 ADSs (or portion thereof)), ADSs representing those TCP preferred shares to the depositary for the ADS program of TCO, TLE or TSD, as the case may be. When the TCP ADSs are received in the ADS program of each of TCO, TLE and TSD, the ADSs of each of TCO, TLE and TSD will represent a right to receive TCP ADSs, and The Bank of New York, as depositary under the ADS program of each of TCO, TLE and TSD, will call for the surrender of the ADRs evidencing those former TCO, TLE or TSD ADSs. Upon surrender of those ADRs and payment of the depositary's fees and expenses as provided in each of the TCO, TLE and TSD deposit agreements (which will not be in excess of \$5.00 or less per 100 ADSs (or portion thereof)), the depositary will deliver the TCP ADSs (and cash in lieu of any fractions as described in Part Five: The Merger Fractional Shares and ADSs) to the holders of the former TCO, TLE or TSD ADSs.

Termination of ADS Program

The Bank of New York, as depositary under the ADS program of each TCO, TLE and TSD, at the direction of TCO, TLE and TSD, intends to mail notice to the owners of all outstanding ADRs of TCO, TLE and TSD in accordance with the deposit agreement of the termination of the deposit agreement and the ADS program at the time of effectiveness of the merger.

The terms of the ADSs of TCP that will be received upon the effectiveness of the merger are described in Part Six: Shareholder Information Description of American Depositary Shares.

Fractional Shares and ADSs

If you hold common shares or preferred shares of TCO, TLE, TSD or Celular CRT and the product of the applicable exchange ratio and the number of common shares or preferred shares of TCO, TLE, TSD or Celular CRT you hold is not a whole number, the number of TCP common shares or preferred shares you will receive in the merger will be rounded down to the largest whole number. We will auction on the open market the fractional TCP common shares or preferred shares to which you would otherwise be entitled, and remit to your broker or custodian or mail you a check for cash in lieu of any fractional TCP common shares or preferred shares you are entitled to receive based on the net proceeds (after deducting applicable fees and expenses, including the fees charged by the São Paulo Stock Exchange and the CBLC (*Companhia Brasileira de Liquidação e Custódia*) of 0.027% and 0.0008% respectively, and the sales commissions charged by the brokerage firms that TCP would have to hire) from the sale on the São Paulo Stock Exchange of the aggregate number of fractional entitlements to TCP common shares and preferred shares.

If you are a registered holder of ADSs of TCO, TLE or TSD, and the product of the applicable exchange ratio and the number of ADSs of TCO, TLE or TSD you hold is not a whole number, the number of TCP ADSs you will receive in the merger will be rounded down to the largest whole number. The depository under the ADS program of TCO, TLE or TSD, as the case may be, will sell on the open market the fractional TCP ADS to which

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you would otherwise be entitled, and remit to your broker or custodian or mail you a check for cash in lieu of any fractional TCP ADS you are entitled to receive based on the net proceeds (after deducting applicable fees and expenses, including sales commissions) from the sale on the New York Stock Exchange of the aggregate number of fractional entitlements to TCP ADSs.

If you are a beneficial owner of ADSs of TCO, TLE or TSD, you should contact your broker or custodian and inquire as to its procedures for the remittance of any cash attributable to any fractional TCP ADS you would otherwise receive.

You will receive your cash payment for fractional TCP common shares or TCP preferred shares, if applicable, at the same time that you receive your new TCP common shares or TCP preferred shares. Cash payments in respect of fractional TCP ADSs payable to registered holders of ADSs of TCO, TLE and TSD will not be available until the TCO, TLE or TSD depository, as the case may be, has completed sales of aggregated portions and all those trades have been settled.

You do not have to pay in cash any fees or commissions to us, or to the depository, for the sale of your fractional common shares, preferred shares or ADS since fees and expenses will have already been deducted from any amounts you receive.

Appraisal or Dissenters Rights

Holders of common shares of TCP, TCO, TLE, TSD and Celular CRT, and holders of preferred shares of TCP and TSD are entitled to appraisal rights in connection with the merger.

In accordance with the Brazilian corporation law, since the exchange ratios of 3.0830 for TCO, 3.8998 for TLE and 3.2879 for TSD common shares and preferred shares (and ADSs) set forth in the Protocol of Merger of Shares and Merger of Companies and Instrument of Justification (see Terms of the Merger) are lower than the exchange ratios of 3.5844 for TCO, 4.8744 for TLE and 4.2863 for TSD calculated based on the market value of shareholders equity, as described below under Valuation Reports of Planconsult the dissenting shareholders of TCO, TLE and TSD have the right to choose to receive an amount in cash equal to the greater of shareholders equity per share in accordance with Brazilian GAAP and the market value of shareholders equity per share. Since the exchange ratio of 7.0294 for Celular CRT common shares and preferred shares set forth in the Protocol of Merger of Shares and Merger of Companies and Instrument of Justification is higher than the exchange ratio of 6.7258 calculated based on the market value of shareholders equity, the dissenting Celular CRT shareholders have the right to receive an amount in cash equal to the shareholders equity per share in accordance with Brazilian GAAP.

Therefore, holders of common shares of Celular CRT, TCO, TLE and TSD, and holders of preferred shares of TSD will have the right to choose to receive, instead of the TCP common shares or preferred shares, as the case may be, an amount in cash as described in the table below:

		Shareholders Equity in Accordance With Brazilian GAAP (1)	Market Value of Shareholders Equity (2)
		<i>(reais per share)</i>	
TCO	the greater of	21.80	18.38
TLE	the greater of	33.18	24.99

TSD	the greater of	22.31	21.97
Celular CRT		37.50	

- (1) Shareholders' equity in accordance with Brazilian GAAP of the dissenting shares, determined on the basis of the applicable balance sheet at September 30, 2005 or, if the dissenting shareholder so demands, on the basis of a new balance sheet that is as of a date within 60 days of the extraordinary general shareholders' meeting called to approve the merger.
- (2) Market value of shareholders' equity of the dissenting shares, at the date of the extraordinary general shareholders' meeting. Market value of shareholders' equity is determined in accordance with the special methodology described in Valuation Report of Planconsult.

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If you have appraisal rights, your appraisal rights will lapse no less than 30 days after publication of the minutes of the extraordinary general shareholders meeting called to approve the merger.

Any holder of TSD ADSs that wishes to exercise the appraisal rights relating to the preferred shares of TSD underlying the ADSs held by that holder must surrender the American Depositary Receipts evidencing those ADSs, pay the applicable fees of the depository, withdraw the preferred shares from the TSD ADR program and exercise the appraisal rights relating to those preferred shares directly.

Holders of preferred shares of TCO, TLE and Celular CRT and holders of TCO and TLE ADSs are not entitled to appraisal or dissenters rights in connection with the merger under Brazilian law.

Holders of TCP common shares and preferred shares also have the right to choose to receive an amount in cash equal to R\$6.52 per share, the shareholders equity per share of TCP in accordance with Brazilian GAAP, calculated as of September 30, 2005.

The total shareholders equity of each of the companies as of September 30, 2005 used to calculate the shareholders equity per share amounts that may be received by certain shareholders upon the exercise of appraisal rights, as described above, was as follows:

<u>Company</u>	<u>Shareholders Equity as of September 30, 2005</u>
TCP	R\$ 4,315,766,402
TCO	2,835,326,030
TLE	320,029,960
TSD	2,048,695,003
Celular CRT	1,224,158,787

These amounts were based on unconsolidated financial statements as of and for the nine months ended September 30, 2005 of each of TCP, TCO, TLE, TSD and Celular CRT prepared in accordance with Brazilian GAAP to comply with statutory requirements in Brazil.

Valuation Reports of Planconsult

Planconsult Planejamento e Consultoria Ltda., or Planconsult, has been engaged by each of TCP, TCO, TLE, TSD and Celular CRT to determine the market value of the net equity (shareholders equity, or assets minus liabilities) of TCP and each of TCO, TLE, TSD and Celular CRT for purposes of Article 264 of Brazilian Law No. 6,404/76. The valuation reports are subject to the considerations and limitations set forth in the reports. The full valuation reports for each of these companies are contained in Exhibits 2.3.1, 2.3.2, 2.3.3, 2.3.4 and 2.3.5 to the registration statement on Form F-4 of which this prospectus is a part. Copies of these exhibits may be obtained as described in Part Seven: Additional Information for Shareholders Where You Can Find More Information. The description of the Planconsult valuation reports set forth below is qualified in its entirety by reference to the full text of the reports.

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In preparing its valuation reports, Planconsult:

read the balance sheets as of September 30, 2005 furnished by TCP and each of TCO, TLE, TSD and Celular CRT;

interviewed management of TCP and each of TCO, TLE, TSD and Celular CRT and reviewed documentation furnished by those companies with respect to the aging of accounts receivable and accounts payable, credit controls, derivatives with respect to indebtedness and other matters;

analyzed each asset and liability account on the balance sheets of TCP and each of TCO, TLE, TSD and Celular CRT and, based on that analysis, adjusted each account to market value;

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calculated the tax effects of those adjustments that represented a capital gain or loss that would be deductible for tax purposes; and

based on those adjustments and calculations, calculated the market value of the net equity of TCP and each of TCO, TLE, TSD and Celular CRT.

In adjusting the asset and liability accounts of each of the companies to market value, Planconsult used the following methodology:

for fixed assets, Planconsult generally obtained records from each company regarding its fixed assets, performed a limited physical inspection of certain of the assets, calculated the estimated replacement value of the assets, estimated the useful lives of the assets and used these estimates to calculate the market value of the assets, except for certain assets of low economic value, which were valued based on their book values;

for most other tangible assets and liabilities, Planconsult either:

determined the aging of the account from information provided by the applicable company and calculated the present value of the account using a discount rate equal to the cost of capital of the VIVO companies, obtained from TCP and each of TCO, TLE, TSD and Celular CRT, adjusted for the relative inflation rates in Brazil and the United States; or

where applicable, determined that the book value approximated the market value; and

for the investments of TCP and each of TCO, TLE, TSD and Celular CRT in their operating subsidiaries, Planconsult calculated the net equity of those subsidiaries based on balance sheets for those subsidiaries as of September 30, 2005 and adjusted accordingly the amounts recorded as equity investments in those subsidiaries by TCP and each of TCO, TLE, TSD and Celular CRT.

In rendering its reports, Planconsult relied exclusively on the market value of tangible assets and liabilities and did not assess the market value of intangible assets, including goodwill. In addition, Planconsult did not assess the validity of any liens or encumbrances on the companies' assets or take any such liens and encumbrances into consideration in rendering its report.

In preparing its reports, Planconsult relied upon the truthfulness, completeness and accuracy of the information obtained from TCP and each of TCO, TLE, TSD and Celular CRT without independent verification. Planconsult did not conduct any general legal, accounting or other due diligence investigation in connection with the preparation of the reports. Planconsult did not evaluate the future profitability of TCP or any of TCO, TLE, TSD or Celular CRT, nor did it independently verify any of the factors used in calculating the cost of capital of the VIVO companies that Planconsult obtained from TCP and each of TCO, TLE, TSD and Celular CRT in order to calculate the present value of certain assets and liabilities. In addition, the valuation reports delivered by Planconsult do not constitute an audit report on the financial statements used in preparing those reports.

Neither the independent auditors of TCP, TCO, TLE, TSD and Celular CRT, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the prospective financial information used to prepare the valuation reports, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, this prospective financial information. The independent auditors' reports included or incorporated by reference in this registration statement relate to the historical financial information of the respective companies, do not extend to the prospective financial information and should not be read to do so.

The Planconsult valuation reports do not address the underlying business decision by TCP to engage in the proposed corporate reorganization and do not constitute a recommendation to TCP, each of TCO, TLE, TSD and Celular CRT, or their respective shareholders with respect to the transaction.

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Based on these assumptions and qualifications, Planconsult concluded that the market value of the net equity of each of the companies as of September 30, 2005 was as follows:

<u>Company</u>	<u>Market Value of</u>	
	<u>Net Equity as of September 30, 2005</u>	
TCP	R\$	3,395,399,889.45
TCO		2,390,078,454.51
TLE		240,997,096.12
TSD		2,017,851,499.43
Cellular CRT		1,125,472,314.35

If the exchange ratios used to determine the common shares and preferred shares to be received by shareholders of TCO, TLE, TSD and Celular CRT, and the ADSs of TCP to be received by ADS holders of TCO, TLE and TSD in the proposed transaction had been calculated solely based upon the market value of the net equity of the companies, as calculated by Planconsult, the exchange ratios would have been as follows:

<u>Company</u>	<u>Hypothetical Exchange Ratios If Such Ratios Had Been Calculated Using the Market Value of Net Equity of the Companies as of September 30, 2005</u>
TCO	3.5844
TLE	4.8744
TSD	4.2863
Cellular CRT	6.7258

Planconsult provides valuation services to several large telecommunications companies and has over twenty-five years of experience in assisting major companies in Brazil in several industries. Planconsult has also acted as an advisor in privatization transactions in Brazil and has experience in providing technical and financial due diligence services. Planconsult was selected to prepare the valuation reports based on its experience in preparing such reports and other factors. Planconsult will be paid a fee by TCP, and TCP has agreed to reimburse Planconsult's expenses.

Mailing of Prospectus

We will mail the prospectus to record holders of common shares and preferred shares of each of TCO, TLE, TSD and Celular CRT who are residents of the United States and whose names appear on our shareholder list. We will mail the prospectus to record holders of ADSs of TCO, TLE and TSD whose names appear on the list of record holders of ADSs maintained by the TCO, TLE and TSD depositaries and will also furnish the prospectus to brokers, banks and similar persons who are listed as participants in a clearing agency's security position listing for subsequent transmission to beneficial owners of ADSs of TCO, TLE and TSD.

Brokerage Commissions

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You do not have to pay any brokerage commissions in connection with the merger if you have your shares of TCO, TLE, TSD or Celular CRT registered in your name. If your securities are held through a bank or broker or a custodian linked to a stock exchange, you should consult with them as to whether or not they charge any transaction fee or service charges in connection with the merger. If you hold ADSs of TCO, TLE or TSD you will have to pay the fees and expenses described in *Receipt of Shares and ADSs of TCP Delivery of TCP ADSs* in connection with the merger.

Accounting Treatment of the Merger

Under Brazilian GAAP, the body of accounting principles we use to prepare our consolidated financial statements, the merger will be accounted for at book value. Under U.S. GAAP, since TCP and each of the Targets have been under common control since December 27, 2002, the exchange of shares of TCP for common and preferred shares of the Targets held directly or indirectly by Brasilcel N.V. will be accounted for at historical cost in a manner similar to a pooling of interests. Accordingly, the assets acquired and the liabilities assumed in

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the merger, to the extent of the proportionate interests in the Targets under common control, will be accounted for based on the historical carrying values of the assets and liabilities of each of the Targets, as would be reflected in the consolidated financial statements of Brasilcel N.V. The proportionate interests in each of the Targets acquired from shareholders unrelated to the controlling shareholders will be accounted for using the purchase method of accounting in accordance with SFAS No. 141, *Business Combinations*. Under the purchase method of accounting, the pro rata assets acquired and liabilities assumed are recorded at their fair values, and any excess of purchase price over the related fair value of net assets acquired is accounted for as goodwill. The financial statements of New TCP presented after the merger will retroactively reflect the combination of TCP and the Targets to the extent of the proportionate interests in the Targets under common control since December 27, 2002, in accordance with Brazilian GAAP and U.S. GAAP.

Management

A description of TCP's management is set forth below.

Board of Directors

Our administration consists of a board of directors and a board of executive officers. Our shareholders elect the members of the board of directors. The board of directors should maintain a number of members ranging from 3 to 12, each serving a three-year term. The board currently consists of nine members. The term of office of the current members of the board of directors will expire at the ordinary general meeting of shareholders to be held by April 2006, except for Antônio Gonçalves de Oliveira, representative of minority shareholders, whose term will expire in April 2007. The board of directors holds regular quarterly meetings, and the chairman or two board members may call special meetings.

The following are the current members of our board of directors and their respective positions.

<u>Name</u>	<u>Position</u>
Fernando Xavier Ferreira	Chairman
Carlos Manuel de Lucena e Vasconcellos Cruz	Vice Chairman
Shakhaf Wine	Director
Félix Pablo Ivorra Cano	Director
Ignacio Aller Malo	Director
Luis Paulo Reis Cocco	Director
Luiz Kaufmann	Director
Henry Philippe Reichstul	Director
Antônio Gonçalves de Oliveira	Director

Set forth below are brief biographical descriptions of the directors.

Fernando Xavier Ferreira, born on February 13, 1949, is currently Chief Executive Officer of Telecomunicações de São Paulo S.A. and Telesp and SP Telecomunicações Holding Ltda. Mr. Ferreira is the Chairman of the Supervisory Board of Telecomunicações de São Paulo S.A. and serves as Vice-Chairman of the Board of Directors and Chief Executive Officer of Telefónica Data Brasil Holding S.A. Mr. Ferreira is also a

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member of the Boards of Directors of Telefónica Internacional S.A. and Telefónica Móviles S.A. Mr. Ferreira is the Chairman of the Supervisory Board of Brasilcel N.V. and Chairman of the Board of Directors of Telesp Celular Participações, S.A., Tele Centro Oeste Celular Participações, S.A., Celular CRT Participações, S.A., Tele Sudeste Celular Participações, S.A. and Tele Leste Celular Participações, S.A., is currently the Chief Executive Officer of the Telefónica Group in Brazil and is also a member of the Board of Directors of, among other companies, Telefónica Móviles and Brasilcel, N.V. During 1998, Mr. Ferreira served as a member of ANATEL. From 1995 to 1998, he was General Director of Telebrás and President of the board of directors of Embratel and Telesp S.A. Mr. Ferreira was President of Telecomunicações do Paraná S.A. Telepar from 1997 to 1999 and Vice President of that company from 1979 to 1987. He is currently a member of the Latin America Committee of the New York Stock Exchange and the Global Infrastructure Commission. He holds a degree in Electrical Engineering from the Catholic University of Rio de Janeiro, Brazil.

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Shakhaf Wine, born on June 13, 1969, is the President of Portugal Telecom Brasil S.A. since April 2005, a Director of Portugal Telecom S.G.P.S. since March 2003, and a member of the Board of Directors of Brasilcel N.V. since February 2004, of Telesp Celular Participações, S.A., Tele Centro Oeste Celular Participações, S.A., Tele Sudeste Celular Participações, S.A., Celular CRT Participações S.A. since March 2004, and of Folha Universo Online S.A. Mr. Wine is also the President of the Audit Committee of Brasilcel N.V. Mr. Wine was a Director of Investment Banking and a Relationship Manager for European corporate clients in the Global Telecommunications Group of Merrill Lynch International from 1998 to 2003. Additionally, he was Senior Associate Director of the Latin American and Telecommunications groups of Deutsche Morgan Grenfell from 1993 until 1998. Previously Mr. Wine was a foreign exchange trader and dealer for the Brazilian Central Bank at Banco Icatu S.A. He holds a degree in Economics from the Pontificia Universidade Católica do Rio de Janeiro.

Félix Pablo Ivorra Cano, born on July 1, 1946, has been a member of the board of directors of Telesp Celular Participações, Celular CRT Participações, S.A., Tele Leste Celular Participações, S.A., Tele Sudeste Celular Participações, S.A., and Tele Centro Oeste Celular Participações, S.A. since February 1999. Mr. Ivorra currently is the President of the Board of Directors of Telefónica Móviles and serves on the board of directors of Telecomunicações de São Paulo S.A, Brasilcel N.V., Telefónica Móviles SAC Perú, Telefónica Móviles Perú Holding, S.A.A and MobiPay International, S.A. He joined the Telefónica Group in July 1972 and served in the areas of Technical Specifications, Network Planning, Commercial Planning and as General Director of Advanced Communications. In 1993, he was appointed General Director of the team that founded Telefónica Servicios Móviles, where he held several positions including General Commercial Director and General Director of Business Development. During 1997 and part of 1998, he was chairman of the board of Telefónica Móviles group companies Mensatel, S.A. and Radiored, S.A. He has a degree in Telecommunications Engineering from Escuela Técnica Superior de Ingeniería ETSI in Madrid, and a post graduate degree in Business Administration from the Instituto Católico de Administração de Empresas ICADE, also in Madrid.

Ignacio Aller Malo, born on December 1, 1945, is a member of the board of directors of Telefónica Móviles México, S.A. de C.V., Brasilcel N.V., Telesp Celular Participações, S.A., Tele Centro Oeste Celular Participações, S.A., Tele Sudeste Celular Participações, S.A., Tele Leste Celular Participações, S.A. and Celular CRT Participações, S.A. Mr. Aller has served as Chief Operating Officer of Telefónica Móviles S.A. since 2003 and has held several positions at Telefónica de España since 1967.

Carlos Manuel de Lucena e Vasconcellos Cruz, born on September 9, 1957, has been the Chief Executive Officer of Portugal Telecom Investimentos Internacionais Consultoria Internacional S.A. and PT Ventures, SGPS, S.A. since April 2004; has been a member of the Board of Directors of PT Corporate Soluções Empresariais de Telecomunicações e Sistemas, S.A. since June 2003; was Chief Executive Officer of PT Comunicações, S.A. from May 2002 until January 2004; was Chief Executive Officer of PT Prime, SGPS, S.A. from 2002 until January 2004; Chairman of the Board of Directors of PT Prime, SGPS, S.A. from 2002 until January 2004; was Chairman of the Board of Directors of PT Contact Telemarketing e Serviços de Informação, S.A. from 2002 until January 2004; and was Chief Executive Officer of PTM.com, SGPS, S.A. from May 2003 until January 2004. Mr. Cruz has been a member of the Board of Directors of Brasilcel, N.V. since December 2002; Vice Chairman of the Board of Directors of Telesp Celular Participações S.A. since 2001; and a member of the Board of Directors of Tele Centro Oeste Celular Participações, S.A., CRT Celular Participações, S.A., Tele Sudeste Celular Participações, S.A. and Tele Leste Celular Participações S.A. since 2003. Mr. Cruz was also Chairman and Chief Executive Officer of Telesp Celular S.A. from May 2001 until May 2002 and President and Chief Executive Officer of Tradecom, SGPS, S.A. from 2000 until 2001. Mr. Cruz was an invited professor of Universidade Católica Portuguesa and the I.S.C.T.E. (Instituto Superior de Ciências do Trabalho e da Empresa, or the Higher Education Institute for Labor and Corporate Sciences), Portugal, for post graduate courses and the MBA Program from 2000 until 2001. From 1985 to 1999, Mr. Cruz held various positions with Dun & Bradstreet Corporation and its affiliates. Mr. Cruz holds a degree in business from the I.S.C.T.E. and a post graduate degree in Management from D.S.E. (the German Foundation for International Development), Germany.

Luis Paulo Reis Cocco, born on July 23, 1968, is a member of the Board of Directors of Portugal Telecom Investimentos Internacionais, S.A., a member of the Board of Directors and of the Audit Committee of Brasilcel

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N.V. Mr. Cocco is a member of the Board of Directors of PT Móveis Serviços Telecomunicações, S.A., PT Ventures, SGPS, S.A., PT Brasil S.A., Telesp Celular Participações S.A., Tele Centro Oeste Celular Participações S.A., Tele Sudeste Celular Participações S.A. and Celular CRT Participações S.A., ICDL Brasil Certificadora, S.A.; Mobitel, S.A.; Telecomunicações Públicas de Timor, S.A.; PT Prime Tradecom, S.A.; Tradecom SGPS, S.A. From February 2004 to March 2005 Mr. Cocco was Chief Financial Officer of Portugal Telecom Investimentos Internacionais, S.A. Previously he was General Director for Planning, Control and Finance of PT Comunicações, S.A., PT Prime, S.A. and PTM.COM, S.A., and General Director for Resources, Planning, IT and Finance of PT Prime, S.A. Between 2000 and 2002, Mr. Cocco was President & CEO (2001-2002) and Chief Financial Officer (2000-2001) of PT Prime Tradecom, S.A. Before joining Portugal Telecom in May 2000, Mr. Cocco had been Vice President of Santander Investment S.A. in Portugal since February 1998. Previous to that Mr. Cocco worked for McKinsey and Company from 1991 to 1993 and from 1995 to 1998. Mr. Cocco holds a Master Degree from Harvard Business School and a Degree in Business Administration from Universidade Católica Portuguesa.

Luiz Kaufmann, born on August 7, 1945, is a member of the Board of Directors and Audit Committee of Telesp Celular Participações S.A., Tele Centro Oeste Celular Participações S.A., Tele Leste Celular Participações S.A., Tele Sudeste Celular Participações S.A. and Celular CRT Participações S.A., since July 2005. Mr. Kaufmann is a partner at L. Kaufmann Consultores Associados, an investment bank through which Mr. Kaufmann was in charge of the sale of Vésper Brazil from May 2001 to November 2003 and in the sale of Primesys from October 2004 to October 2005. Mr. Kaufmann is also a member of the Board of Directors of Gol Linhas Aéreas Inteligentes and chairman of its audit committee and is a member of the Board of Directors of Medial Saúde. Mr. Kaufman was CEO of Vésper Brazil from May 2001 to November 2003; Mr. Kaufman was partner of GP Investimentos from 1999 to 2001; CEO of Aracruz Celulose S.A., and Chairman of Board of Directors of Tecflor, a joint venture between Aracruz Celulose and Gutchess International, from November 1993 to April 1998. Mr. Kaufmann began his career at Serete S.A. Engenharia as project engineer in 1968, rising to the position of Director of Finance and Control by 1974. Mr. Kaufmann then held various other executive positions prior to those described above. Mr. Kaufmann holds a degree from Universidade Federal do Paraná and a Master of Sciences in Industrial Engineering from Illinois Institute of Technology.

Henry Philippe Reichstul, born on April 12, 1949, is a member of the Board of Directors and Audit Committee of Telesp Celular Participações S.A., Tele Centro Oeste Celular Participações S.A., Tele Leste Celular Participações S.A., Tele Sudeste Celular Participações S.A. and Celular CRT Participações S.A. Mr. Reichstul is also a member of Boards of Directors of Coimbra (Louis Dreyfus-Brasil), Prisma Energy International and TAM S.A. Mr. Reichstul was the chief executive officer of Petrobrás Petróleo Brasileiro S.A. from March 1999 to December 2001 and was the chief executive officer of Globopar in 2002. Prior to that time, Mr. Reichstul held various positions as an economist and as an executive. Mr. Reichstul has served on the Boards of Directors of several well-known companies, including Telebrás from 1985 to 1986, Eletrobrás Centrais Elétricas S.A. from 1985 to 1987 and BNDES from 1986 to 1989. Mr. Reichstul holds a post graduate degree in Economics from Hertford College of Oxford University.

Antônio Gonçalves de Oliveira, born on May 4, 1944, is a member of the Board of Directors and Audit Committee of Tele Centro Oeste Celular Participações S.A., Tele Sudeste Celular Participações S.A., Tele Leste Celular Participações S.A. and Celular CRT Participações S.A. since July 2005, and a member of the Board of Directors and Audit Committee of Telesp Celular Participações S.A. since March 2001. Mr. Gonçalves de Oliveira is also a member of the board of Previ, a member of the Social and Economic Development Council of the Brazilian Government, a board member of the Small and Medium Company Working Group sponsored by the Brazilian Government, the vice president of the Brazilian Businessmen's Association for Market Integration (ADEBIM), a member of the orientation and steering council of Banco do Povo do Estado de São Paulo and President of the decision council of the National Employee Association of Banco do Brasil (ANABB). From 1991 to 1995, he served as director of the Latin American Sociology Association and from 1993 to 1994 he served as the executive coordinator of the Small and Medium Company National Movement (MONAMPE). He holds a degree in Social Sciences from the University of São Paulo, Brazil, and a Master's Degree in Communication Sciences from the same university.

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In accordance with the shareholders' agreement between Portugal Telecom SGPS, S.A., PT Movéis SGPS, S.A. and Telefónica Móviles S.A., PT Movéis is responsible for the appointment of our Chief Executive Officer and Telefónica Móviles is responsible for the appointment of our Chief Financial Officer.

Executive Officers

Our bylaws provide for a board of executive officers with eight positions, and each executive officer is elected by the board of directors for a term of three years. Our board of executive officers currently has five members, three of whom hold two positions. The chief executive officer is the chairman and, in his absence or temporary inability to perform his duties, he would be replaced by the vice president for finance, planning and control. In the case of a vacancy in any position in the board of executive officers, the respective replacement will be appointed by the board of directors. In the case of the incapacity of any officer, the chief executive officer will choose a replacement for that officer from among the remaining officers. One officer may be elected for more than one position on the board of executive officers, but the members of the board of executive officers cannot be elected to the board of directors. The board of directors may remove executive officers from office at any time.

The following are the current executive officers, their respective positions and dates of appointment.

<u>Name</u>	<u>Position</u>
Roberto Oliveira de Lima	Chief Executive Officer and Vice President for Regulatory Matters and Institutional Relations, appointed on July 1, 2005
Paulo Cesar Pereira Teixeira	Executive Vice President for Operations, and interim Executive Vice President for Finance, Planning and Control and Investor Relations Officer, appointed on October 25, 2004
Luis Filipe Saraiva Castel-Branco de Avelar	Executive Vice President for Marketing and Innovation and Vice President for IT and Product and Service Engineering, appointed on April 16, 2003
Javier Rodriguez Garcia	Vice President for Technology and Networks, appointed on April 16, 2003
Guilherme Silverio Portela Santos	Vice President for Customers, appointed on April 16, 2003

Set forth below are brief biographical descriptions of our executive officers.

Roberto Oliveira de Lima, born on April 1, 1951, is Chief Executive Officer and Vice President for Regulatory Matters and Institutional Relations of Tele Sudeste Celular Participações S.A., Tele Leste Celular Participações S.A., Telesp Celular Participações S.A., Celular CRT Participações S.A., Telerj Celular S.A., Telest Celular S.A., Telebahia Celular S.A., Telergipe Celular S.A., Celular CRT S.A., Telesp Celular S.A., Global Telecom S.A., Tele Centro Oeste Celular Participações S.A., Telegoiás Celular S.A., Telemat Celular S.A., Telems Celular S.A., Teleacre Celular S.A., Teleron Celular S.A., Norte Brasil Telecom S.A. and TCO-IP S.A. Mr. Oliveira de Lima has also been a director of Avista Participações Ltda., Tagilo Participações Ltda. Sudestecel Participações Ltda., TBS Celular Participações Ltda., Ptelecom Brasil Ltda. and Portelcom Participações Ltda., all affiliates of Brasilcel, since 2005. Mr. Oliveira de Lima was Chairman of the Board of Directors of Grupo Credicard from 1999 to 2005 and chief executive officer of Banco Credicard S.A. from 2002 to 2005. Before 1999, Mr. Oliveira de Lima held executive positions at Accor Brasil S.A., Rhodia Rhone Poulec S.A. and Saint Gobain S.A. Mr. Oliveira holds a degree in Administration and an MBA from Fundação Getulio Vargas, Brasil, and a Master's degree in finance and strategic planning from Institute Superieur des Affaires, Jouy en Josas, France.

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Paulo Cesar Pereira Teixeira, born on June 18, 1957, is the Executive Vice-President for operations (since 2003) and interim Executive Vice President for Finance, Planning and Control and Investor Relations Officer (since July 2005) of Tele Sudeste Celular Participações S.A., Tele Leste Celular Participações S.A., Telesp Celular Participações S.A., Celular CRT Participações S.A., Telerj Celular S.A., Telest Celular S.A., Tebahia Celular

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S.A., Telergipe Celular S.A., Celular CRT S.A., Telesp Celular S.A., Global Telecom S.A., Tele Centro Oeste Celular Participações S.A., Telegoiás Celular S.A., Telemat Celular S.A., Telems Celular S.A., Teleacre Celular S.A., Teleron Celular S.A., Norte Brasil Telecom S.A. and TCO-IP S.A. Mr. Teixeira is also a director of Avista Participações Ltda., Tagilo Participações Ltda., Sudestecel Participações Ltda., TBS Celular Participações Ltda., Ptelecom Brasil Ltda. and Portelcom Participações Ltda. Since 1998 Mr. Teixeira has been Vice-President of Telerj Celular S.A., Telest Celular S.A., Telebahia Celular S.A., Telergipe Celular S.A., Celular CRT S.A., and was a member the Board of Directors of Tele Sudeste Celular Participações S.A., Tele Leste Celular Participações S.A. and Celular CRT Participações S.A. from 2001 to 2003. In 1998 Mr. Teixeira was a Director of Telepar Celular S.A., Telesc Celular S.A. and CTMR Celular S.A., companies of Telecomunicações Brasileiras S.A.- Telebrás and Vice President of Tele Celular Sul S.A. Mr. Teixeira has been a Director of telecommunications engineering of Mato Grosso do Sul S.A. between 1995 and 1998. From 1980 until 1987, Mr. Teixeira performed several different managerial duties at Companhia Riograndense de Telecomunicações S.A. CRT and was also a member of the board of directors from 1985 to 1986. In 1987 and 1988, he held several different positions at Telebrás. Mr. Teixeira holds an Electrical Engineering degree from the Catholic University of Pelotas, Brazil.

Luis Filipe Saraiva Castel Branco de Avelar, born on April 15, 1954, is the Executive Vice President for IT and product and service engineering and Executive Vice President for Marketing and Innovation of each of Tele Sudeste Celular Participações S.A., Tele Leste Celular Participações, Celular CRT Participações S.A., Telesp Celular Participações S.A., Telerj Celular S.A., Telest Celular S.A., Telebahia Celular S.A., Telergipe Celular S.A., Celular CRT S.A., Telesp Celular S.A., Global Telecom S.A., Tele Centro Oeste Celular Participações S.A., Telegoiás Celular S.A., Telemat Celular S.A., Telems Celular S.A., Teleacre Celular S.A., Teleron Celular S.A., Norte Brasil Telecom S.A. and TCO-IP S.A. Earlier in his career, Mr. Avelar was the corporate accounts director of Telefones de Lisboa e Porto, an expert in telecommunications services for the European Commission (DG XIII, Telecom Policy Unit) and a strategic planning director at Comunicações Nacionais. From 1993 to 1998 he was a consultant in privatization and regulation projects for the World Bank, the European Bank for Reconstruction and Development and the European Commission. From 1996 to 1998 he was a portfolio director of Portugal Telecom Group and on the strategic marketing board of Portugal Telecom. From 1998 to 2000, Mr. Avelar was a special consultant to the President of Telesp Celular Participações, S.A. for the areas of marketing, sales, strategy, regulation and special projects and, from 2000 to 2001, was a director of the Internet and E-commerce business unit at the same company. He holds an Electrical Technical Engineering degree (specialized in Telecommunications and Electronics) from the Lisbon Higher Education Technical Institute.

Javier Rodríguez García, born on December 8, 1955, is Executive Vice President for Technology and Networks of each of Tele Sudeste Celular Participações S.A., Tele Leste Celular Participações S.A., Celular CRT Participações S.A., Telesp Celular Participações S.A., Telerj Celular S.A., Telest Celular S.A., Telebahia Celular S.A., Telergipe Celular S.A., Celular CRT S.A., Telesp Celular S.A., Global Telecom S.A. since May 2003, and Tele Centro Oeste Celular Participações S.A., Telegoiás Celular S.A., Telemat Celular S.A., Telems Celular S.A., Teleacre Celular S.A., Teleron Celular S.A., Norte Brasil Telecom S.A. and TCO-IP S.A. since April 2005. From 1986 until 1988, Mr. García worked at INDELEC Indústria Electrónica de Comunicaciones S.A., as the manager responsible for the implementation of an automatic mobile telecommunications project for Telefónica de España S.A. From 1988 until 1990, he worked at Rede Electrica de España S.A. as the person responsible for the installation and maintenance of radio mobile systems in Spain. From 1990 until 1992, Mr. García served as an engineering manager at Telcel S.A., where he was responsible for the implementation of automatic mobile telecommunications system for Telefónica de España S.A. in Barcelona, Madrid and Palma de Mallorca. From 1992 until 1996, he was an engineering manager responsible for the installation and maintenance of systems at Companhia Europeia de Radiobusqueda S.A., and from 1996 until 1998, he worked in cellular businesses for Telefónica Group in Spain and Peru, as a network quality manager and technical area sub-manager, respectively. From 1998 until 2000, Mr. García was the technology manager in the cellular business of Telefónica Group in Brazil and from 2000 until 2002 was the network manager of Telerj Celular S.A. and Telest Celular S.A. He holds a degree in Technical Telecommunications Engineering from the Technical University of Madrid, Spain.

Guilherme Silvério Portela Santos, born on February 3, 1966, is the Executive Vice President for customers of each of Tele Sudeste Celular Participações S.A., Tele Leste Celular Participações S.A., Telesp Celular

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Participações S.A., Celular CRT Participações S.A., Telerj Celular S.A., Telest Celular S.A., Telebahia Celular S.A., Telergipe Celular S.A., Celular CRT S.A., Telesp Celular S.A., Global Telecom S.A., Tele Centro Oeste Celular Participações S.A., Telegoiás Celular S.A., Telemat Celular S.A., Telems Celular S.A., Teleacre Celular S.A., Teleron Celular S.A., Norte Brasil Telecom S.A. and TCO-IP S.A. From 1989 until 1993, Mr. Santos was a consultant at McKinsey & Co., and from 1994 until 1998 he worked as an officer for operations and special projects at Parque Expo 98, S.A. He also has served as a coordination officer at Companhia de Seguros Tranquilidade. Mr. Santos holds a civil engineering degree from the Higher Education Technical Institute, Portugal, and a Master's degree from INSEAD, France.

Audit Committee

We have an audit committee that has responsibility for, among other things:

overseeing management's maintenance of the reliability and integrity of our accounting policies and financial reporting and our disclosure practices;

overseeing management's establishment and maintenance of processes to assure that an adequate system of internal control is functioning;

overseeing management's establishment and maintenance of processes to assure our compliance with all applicable laws, regulations and corporate policy;

reviewing our annual and quarterly financial statements prior to their filing or prior to the release of earnings;

reviewing the performance of the independent accountants and making recommendations to the board of directors regarding the appointment or termination of the independent accountants and considering and approving any non-audit services proposed to be performed by the independent accountants;

preparing audit committee reports in accordance with applicable laws and regulations; and

reviewing company policies concerning related party transactions.

The audit committee has the power to investigate any matter brought to its attention within the scope of its duties and to retain counsel for this purpose where appropriate.

The following are the current members of our audit committee.

Name

Luiz Kaufmann

Position

Member

Henry Philippe Reichstul
Antônio Gonçalves de Oliveira

Member
Member

Brief biographical descriptions of the members of our audit committee are provided under Board of Directors above.

Board of Auditors (Conselho Fiscal)

We have a permanent board of auditors with three members. They are elected annually at a general shareholders meeting. The board of auditors is not an audit committee for purposes of Rule 10A-3 under the Exchange Act.

The board of auditors is responsible for overseeing our management. Its main duties are:

to review and provide an opinion on the annual report of our management;

to review and approve the proposals of management to be submitted to shareholders meetings regarding changes in share capital, issuance of debentures and subscription rights, capital investment plans and budgets, distribution of dividends, changes in corporate form, consolidations, mergers or split-ups; and

to review and approve the financial statements for the fiscal year.

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The following are the current members of our board of auditors and their alternates.

<u>Name</u>	<u>Position</u>
Nelson Jimenes(1)	Member
Norair Ferreira do Carmo(2)	Member
Evandro Luís Pippi Kruehl(2)	Member
João Botelho	Alternate
Wolney Querino Schüler Carvalho(2)	Alternate
Fabiana Faé Rodrigues Garcia	Alternate

-
- (1) Appointed by our preferred shareholders.
 (2) Appointed by our controlling shareholder.

Compensation

For the year ended December 31, 2004, we paid to our directors and executive officers as compensation an aggregate amount of R\$12.02 million, including bonuses and profit sharing plans. This amount includes performance-based compensation and profit-sharing arrangements applicable to all employees. Furthermore, the members of our board of executive officers are eligible to participate in the same complementary retirement pension plan available to our employees, called TCP Prev. In 2004, we did not contribute any amount to TCP Prev on behalf of our executive officers. The aggregate amount of compensation we paid to members of our board of auditors for the year ended December 31, 2004 was approximately R\$0.21 million.

Share Ownership

As of December 31, 2004, each of the members of the board of directors and the board of executive officers owned, directly or indirectly, less than 0.01% of any class of our shares.

As of December 31, 2004, the members of the board of directors and of the boards of executive officers did not have any transaction or loan with TCP, TCO, TLE, TSD or Celular CRT, as disclosed in Item 7.B Major Shareholders and Related Party Transactions Related Party Transactions in the Annual Report on Form 20-F of each of TCP, TCO, TLE and TSD, which are included in this prospectus, and in note 25 to the audited consolidated financial statements of Celular CRT at December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004, which are included in Part Nine: Financial Statements of this prospectus.

Material Tax Considerations

Brazilian Tax Considerations

The Merger

The following discussion is the opinion of Machado, Meyer, Sendacz, e Opice Advogados, the Brazilian counsels of TCP, as to the material tax consequences to you of the merger. The following discussion is based on Brazilian law and practice as applied and interpreted as of the date of this prospectus, which are subject to change at any time. There is currently no treaty for the avoidance of double taxation between Brazil and the United States. The following discussion summarizes the principal Brazilian tax consequences of the transactions described in this prospectus to a U.S. holder not deemed to be domiciled in Brazil for Brazilian tax purposes (a U.S. holder). This discussion does not address all possible Brazilian tax consequences relating to the merger and does not address all the Brazilian tax considerations that may be applicable to any particular non-Brazilian holder. **You should consult your own tax advisor regarding taxes that may arise in connection with the merger.**

Despite the lack of specific provisions in Brazilian tax legislation with respect to the merger, there are reasonable legal grounds to sustain that the receipt (resulting from the merger) by a non-Brazilian holder of ADSs or by a U.S. person of common shares and preferred shares that are registered as a foreign portfolio

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investment under Resolution 2,689/00 of the National Monetary Council or are registered as a foreign direct investment under Law No. 4,131/62 would not be subject to income tax pursuant to Brazilian law. However, the exercise of appraisal rights is a taxable transaction.

Taxation on Gains

Merger. As stated above, there are reasonable legal grounds to sustain that the merger would not be subject to income tax pursuant to Brazilian law. Nevertheless, in case these arguments do not prevail, the following rules will apply to calculate the taxable gains:

gains upon the receipt of preferred shares as a consequence of the cancellation of ADSs are not taxed in Brazil (Resolution CMN/BACEN 1927/92), unless the investor is a resident of a jurisdiction that, under Brazilian law, is deemed to be a tax haven (i.e. a jurisdiction that does not impose income tax or that imposes tax at a rate of less than 20%); and

gains that may be realized through the receipt of shares of TCO, TLE, TSD and Celular CRT for TCP shares (e.g., cases of foreign direct investment under Law 4,131/62) could be subject to tax at a rate of 15%, unless the investor is located in a tax haven, in which case the applicable rate would be 25%. This rule would also apply in the case of an investment made under Resolution 2,689/00, since the merger would be considered a transaction not carried out on a stock exchange. These gains would be measured by the difference between the acquisition cost of the shares of TCO, TLE, TSD and Celular CRT and the amount attributed to the TCP shares received in the merger. Both amounts should be considered in Brazilian currency without any correction for inflation for periods after 1996. Although there is a controversy surrounding this issue, there are arguments to sustain that the acquisition cost of investments governed by the Law 4,131/62 regime should be indexed in foreign currency.

Exercise of Appraisal Rights. Gains that may be realized through the exercise of appraisal rights would be subject to tax at a rate of 15%, unless the investor is located in a tax haven, in which case the applicable rate would be 25%. This rule would also apply in the case of an investment made under Resolution 2,689/00, since the merger would be considered a transaction not carried out on a stock exchange. Both amounts should be considered in Brazilian currency without any correction for inflation for periods after 1996. Although there is a controversy surrounding this issue, there are arguments to sustain that the acquisition cost of investments governed by the Law 4,131/62 regime should be indexed in foreign currency.

Future Dispositions of TCP's securities. Until December 31, 2003, the sale or other disposition of common shares, preferred shares or ADSs entered into by and between non-Brazilian holders outside Brazil was not subject to Brazilian income tax, as such a transaction did not involve payments by a person located in Brazil. Brazilian Law No. 10,833/03 provides that, commencing on February 1, 2004, the acquiror, individual or legal entity resident or domiciled in Brazil, or the acquiror's attorney-in-fact, when such acquiror is resident or domiciled abroad, shall be responsible for the retention and payment of the income tax applicable to capital gains under Article 18 of Law 9,249 of December 26, 1995 earned by the individual or legal entity resident or domiciled abroad who disposes of property located in Brazil.

The Brazilian tax authorities have issued an instruction confirming that, pursuant to Law No. 10,833/03, these tax authorities intend to assess income tax on capital gains earned by non-Brazilian residents whose assets are located in Brazil. Holders of ADSs outside Brazil may have grounds to assert that Brazilian Law No. 10,833/03 does not apply to sales or other dispositions of ADSs as ADSs are not assets located in Brazil. However, the sale or other disposition of common shares or preferred shares abroad would be subject to the provisions of Brazilian Law No. 10,833/03. Any capital gains arising from sales or other dispositions outside Brazil would be subject to Brazilian income tax at the rate of 15%, unless the investor is located in a tax haven, in which case the applicable rate would be 25%. Brazilian Law No. 10,833/03 requires the purchaser of common or preferred shares outside Brazil or its attorney-in-fact in Brazil to withhold the tax.

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The surrender of ADSs for preferred shares is not subject to Brazilian tax. A holder of ADSs may surrender its ADSs for the underlying preferred shares, sell the preferred shares on a Brazilian stock exchange and remit abroad the proceeds of the sale within five business days from the date of exchange (in reliance on the depositary's electronic registration), with no tax consequences.

Upon receipt of the underlying preferred shares in exchange for ADSs, a non-Brazilian investor will be entitled to register with the Central Bank the U.S. dollar value of such shares as a foreign portfolio investment under Resolution No. 2689/00. The sale or disposition of common or preferred shares on a Brazilian stock exchange is exempt from capital gains tax, provided that such shares are held by a non-Brazilian holder as a foreign portfolio investment under Resolution No. 2,689/00.

Upon receipt of the underlying preferred shares, a non-Brazilian holder is also entitled to register with the Central Bank the U.S. dollar value of such shares as a foreign direct investment under Law 4,131/62. A 15% capital gains tax is applicable to the sale or other disposition of common or preferred shares in Brazil where such shares are held by a non-Brazilian holder as a foreign direct investment and the transaction is performed outside a Brazilian stock exchange. If the non-Brazilian holder is located in a tax haven jurisdiction, the income tax rate will be 25%.

As of January 1, 2005, the capital gains arising from transactions carried out on a Brazilian stock exchange (other than transactions including investments not registered under Resolution No. 2,689/00) are to be subject to income tax at the rate of 15%. Also, since January 1, 2005, a withholding tax of 0.005% will be assessed on the sales price or other disposition value of shares sold or disposed of in transactions carried out on a Brazilian stock exchange. The withholding tax must be withheld by one of the following entities: (i) the agent receiving the sale or disposition order from the client; (ii) the stock exchange responsible for registering the transactions; or (iii) the entity responsible for the settlement and payment of the transactions.

The deposit of preferred shares in exchange for ADSs is not subject to Brazilian tax, provided that these shares are held by the non-Brazilian holder as a foreign portfolio investment under Resolution No. 2,689/00. In the event TCP's preferred shares are held by a non-Brazilian holder as a foreign direct investment under Law No. 4,131/62, the deposit of these shares in exchange for ADSs is subject to payment of Brazilian capital gains tax at the rate of 15%.

The current preferential treatment for non-Brazilian holders of ADSs and non-Brazilian holders of common or preferred shares under Resolution No. 2,680/00 may not continue in the future.

Gain on the disposal of shares is measured by the difference between the amount realized on the sale or other disposition and the acquisition cost of the shares sold. There is uncertainty concerning the currency to be used for the purposes of calculating the cost of acquisition of shares registered with the Central Bank as a direct investment. Although a recent precedent of a Brazilian administrative court supports the view that capital gains should be based on the positive difference between the cost of acquisition of the shares in the applicable foreign currency and the value of disposition of those shares in the same foreign currency, tax authorities are not bound by such precedents.

Any exercise of preemptive rights relating to TCP's common or preferred shares will not be subject to Brazilian taxation. Gains on the sale or assignment of preemptive rights relating to TCP's common or preferred shares by the depositary may be subject to Brazilian taxation. Tax authorities may attempt to tax such gains even when the sale or assignment of such rights takes place outside Brazil, based on the provisions of Law No. 10,833/03. These authorities may allege that the preemptive rights relate to assets located in Brazil (the preferred shares) and demand payment of capital gains tax at the rate of 15% or 25% (if the beneficiary of the payments is a resident of a tax haven jurisdiction). If the preemptive rights are assigned or sold in Brazil, capital gains tax will apply at a rate of 15%. Sales or assignments of preemptive rights effected on Brazilian stock exchanges are exempt from income tax, provided that such preemptive rights relate to shares registered as a foreign portfolio

investment under Resolution No. 2,689/00.

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Taxation of Distributions

Taxation of Dividends. Dividends paid by TCP in cash or in kind from profits generated on or after January 1, 1996 (i) to the depositary in respect of preferred shares underlying ADSs or (ii) to a U.S. holder or non-Brazilian holder in respect of common or preferred shares will generally not be subject to Brazilian withholding tax. We do not have any undistributed profits generated before January 1, 1996.

Distributions of Interest on Shareholders' Equity. Brazilian corporations may make payments to shareholders characterized as interest on shareholders' equity as an alternative form of making dividend distributions. The rate of interest may not be higher than the federal government's long-term interest rate, or the TJLP, as determined by the Central Bank from time to time. The total amount distributed as interest on capital may not exceed the greater of (i) 50% of net income (before taking the distribution and any deductions for income taxes into account) for the year in respect of which the payment is made or (ii) 50% of retained earnings for the year prior to the year in respect of which the payment is made. Payments of interest on shareholders' equity are decided by the shareholders on the basis of recommendations of the company's board of directors.

Distributions of interest on shareholders' equity paid to Brazilian and non-Brazilian holders of preferred shares, including payments to the depositary in respect of preferred shares underlying ADSs, are deductible by TCP for Brazilian corporate income tax purposes. These payments to U.S. holders or non-Brazilian holders are subject to Brazilian withholding tax at the rate of 15%. If the recipient of the payment is located in a tax haven jurisdiction, the rate will be 25%.

No assurance can be given regarding whether TCP's board of directors will recommend that any future distributions of profits be made by means of interest on shareholders' equity or by means of dividends.

Amounts paid as interest on shareholders' equity (net of applicable withholding tax) may be treated as payments in respect of the dividends TCP is obligated to distribute to its shareholders in accordance with its by-laws (*estatutos*) and the Brazilian corporation law. Distributions of interest on capital in respect of the preferred shares, including distributions to the depositary in respect of preferred shares underlying ADSs, may be converted into U.S. dollars and remitted outside of Brazil, subject to applicable exchange controls.

Other Brazilian Taxes

There are no Brazilian inheritance, gift or succession taxes applicable to the ownership, transfer or disposition of common shares, preferred shares or ADSs by a non-Brazilian holder except for gift and inheritance taxes which are levied by some states of Brazil on gifts made or inheritances bestowed by individuals or entities not resident or domiciled in Brazil or domiciled within the state to individuals or entities resident or domiciled within such state in Brazil. There are no Brazilian stamp, issue, registration or similar taxes or duties payable by holders of common shares, preferred shares or ADSs.

Under Decree No. 4,494 of December 3, 2002, the amount in *reais* resulting from the conversion of the proceeds received by a Brazilian entity from a foreign investment in the Brazilian securities market (including those in connection with the investment in TCP's common shares, preferred shares or ADSs and those made under the provisions of Resolution No. 2,689/00 of the National Monetary Council) is subject to the IOF transaction tax, although at present the rate of such tax is 0%. The IOF tax is also assessed on transactions executed on a stock exchange. As of the date hereof, Article 33, Paragraph 2, of Decree No. 4,494 imposes an IOF tax on such transactions at a 0% rate. The Minister of Finance is

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empowered to establish the applicable IOF tax rate. Under Law 8,894 of June 21, 1994, such IOF tax rate may be increased at any time to a maximum of 25%, but any such increase will only be applicable to transactions occurring after such increase becomes effective.

The CPMF tax is levied at a rate of 0.38% on all funds transfers in connection with financial transactions in Brazil. Payments of dividends on TCP's common shares, preferred shares and ADSs are subject to the CPMF tax. However, only TCP is liable for the CPMF tax on its dividends, which are payable without reduction for this

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tax. The CPMF tax was scheduled to expire in December 2004, but Amendment No. 42 to the Brazilian Constitution extended the CPMF tax through December 31, 2007. Investments under Resolution No. 2,689/00 are exempt from the CPMF tax in respect of transactions carried out on a Brazilian stock exchange. There can be no assurance that the Brazilian government will not extend the payment of the CPMF tax beyond 2007, or will convert it into a new permanent tax.

United States Federal Income Tax Considerations

The following summary describes the material U.S. federal income tax consequences of the merger and the consequences of ownership of TCP shares or TCP ADSs received pursuant to the merger. The discussion set forth below is only applicable to U.S. Holders (as defined below). Except where noted, it deals only with shares or ADSs held as capital assets and does not address all aspects of U.S. federal income taxation that may be applicable to a holder subject to special treatment under the Internal Revenue Code of 1986, as amended (the Code) (including, but not limited to, banks, tax-exempt organizations, regulated investment companies, real estate investment trusts, investors liable for the alternative minimum tax, insurance companies and dealers in securities or foreign currency, holders who have a functional currency other than the U.S. dollar, persons who own 5% or more of TCP shares (by vote), persons that hold their shares as part of a hedging, integrated or conversion transaction, a constructive sale or a straddle, investors in pass-through entities, and holders who acquired TCP shares pursuant to the exercise of an employee stock option or otherwise as compensation). In addition, the discussion does not address the state, local or foreign tax consequences (or other tax consequences such as estate or gift tax consequences) of the merger or ownership of TCP shares or TCP ADSs. The discussion below is based upon the provisions of the Code, and U.S. Treasury regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified (with possible retroactive effect) so as to result in U.S. federal income tax consequences different from those discussed below. **Holders should consult their own tax advisors concerning the U.S. federal tax consequences of the merger and ownership of TCP shares or TCP ADSs in light of their particular situations, as well as any consequences arising under the laws of any other taxing jurisdiction.**

If a partnership holds shares or ADSs of TCP, TCO, TLE or TSD or the shares of Celular CRT, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If a U.S. Holder is a partner of a partnership holding such shares or ADSs, the holder is urged to consult its tax advisors regarding the tax consequences of the merger and the ownership of TCP shares or TCP ADSs.

As used herein, the term U.S. Holder means a beneficial holder of TCO, TLE, TSD or Celular CRT shares or TCO, TLE or TSD ADSs that is (i) a citizen or resident of the United States, (ii) a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (iv) a trust (X) that is subject to the supervision of a court within the United States and the control of one or more United States persons as described in section 7701(a)(30) of the Code or (Y) that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person.

For purposes of this discussion, the term Target means each of TCO, TLE, TSD and Celular CRT individually. Because there are no Celular CRT ADSs, any references to ADSs in the discussion below are not applicable in the case of Celular CRT.

None of the parties have requested a ruling from the Internal Revenue Service (the IRS) with respect to any of the U.S. federal income tax consequences of the transactions and the following discussion is not binding on the IRS or any court. As a result, there can be no assurance that the IRS will not disagree with or challenge any of the conclusions described below.

The Merger

Consequences of the Exchange of TCO Shares or TCO ADSs for TCP Shares or TCP ADSs

The U.S. federal income tax consequences of the merger of shares of TCO with TCP are uncertain. If the TCP preferred shares are deemed to be voting stock for U.S. federal income tax purposes, then TCP believes the

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transaction will be treated as a transaction described in section 351 or section 368(a)(1)(B) of the Code. There is analogous but non-controlling authority suggesting that stock which attains full voting rights upon the occurrence of a future event becomes voting stock once that event occurs. Because the mandatory minimum dividends have not been paid on the preferred shares for three consecutive fiscal years, the TCP preferred shares currently have voting rights. Although the proper characterization is uncertain, if required, TCP intends to take the position that its preferred shares are voting stock for U.S. federal income tax purposes and thus that the transaction qualifies as one described in section 351 or section 368(a)(1)(B) of the Code. No assurance can be given that the IRS or a court would agree with this conclusion. U.S. Holders are urged to consult their tax advisors with respect to the treatment of the TCP preferred shares as voting stock and the appropriate characterization of the transaction.

If the TCP preferred shares are considered voting stock and the transaction is treated as one described in section 351 or section 368(a)(1)(B) of the Code, TCP believes that the material U.S. federal income tax consequences of the merger of shares of TCO with TCP would be as follows:

subject to the discussion below under *Passive Foreign Investment Company Rules and TCO*, U.S. Holders will not recognize gain or loss when such holders exchange their TCO shares or TCO ADSs for TCP shares or TCP ADSs, except to the extent of any cash received in lieu of fractional shares of TCP;

the aggregate tax basis in the TCP shares or TCP ADSs that U.S. Holders receive in the transaction (including any fractional shares U.S. Holders are deemed to receive and exchange for cash) will equal the aggregate tax basis in the TCO shares or TCO ADSs surrendered; and

the holding period for the TCP shares or TCP ADSs that a U.S. Holder receives in the transaction will include the U.S. Holder's holding period for the TCO shares or TCO ADSs surrendered in the exchange.

If a U.S. Holder acquired blocks of TCO shares or TCO ADSs at different times and at different prices, the tax basis and holding period in TCP shares or TCP ADSs will be determined with reference to each block of TCO shares or TCO ADSs.

Failure to Qualify Under Section 351 or Section 368(a)(1)(B)

If the merger of shares of TCO with TCP fails to qualify as a transaction described in section 351 or section 368(a)(1)(B) of the Code, the receipt of TCP shares or TCP ADSs in exchange for TCO shares or TCO ADSs will be a taxable transaction for U.S. federal income tax purposes. A U.S. Holder of TCO shares or TCO ADSs will generally recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the sum of (i) the fair market value of the TCP shares or TCP ADSs received (determined as of the date of the closing of the merger) plus (ii) any cash received in lieu of fractional TCP shares or TCP ADSs and the U.S. Holder's tax basis in the TCO shares or TCO ADSs exchanged. Gain or loss must be calculated separately for each block of TCO shares or TCO ADSs exchanged by the U.S. Holder. Subject to the discussion under *Passive Foreign Investment Company Rules and TCO*, such gain or loss generally will be capital gain or loss. Capital gains of individuals derived with respect to capital assets held for more than one year at the time the shares or ADSs are exchanged are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Any TCP shares or TCP ADSs received in the merger will have a basis for U.S. federal income tax purposes equal to their fair market value (determined as of the closing date of the merger) and a holding period beginning on the day after the closing of the merger.

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If a U.S. Holder exchanges TCO preferred shares or TCO ADSs with underlying TCO preferred shares that qualify as section 306 stock as defined in section 306 of the Code, such holder's tax consequences may be different than those described above. Such holders should consult their own tax advisors with respect to their TCO preferred shares or TCO ADSs and the application of the rules thereto under section 306 of the Code.

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Consequences of the Merger of TLE, TSD and Celular CRT with TCP

TCP believes that the material United States federal income tax consequences of the merger of TLE, TSD and Celular CRT with TCP are as follows:

the merger of TLE, TSD and Celular CRT with TCP will each be treated as a reorganization within the meaning of section 368(a) of the Code;

subject to the discussion below under *Passive Foreign Investment Company Rules* and TLE, TSD and Celular CRT, U.S. Holders will not recognize gain or loss when such holders exchange their TLE, TSD or Celular CRT shares, or TLE or TSD ADSs, solely for TCP shares or TCP ADSs, except to the extent of any cash received in lieu of fractional shares of TCP;

the aggregate tax basis in the TCP shares or TCP ADSs that U.S. Holders receive in the transaction (including any fractional shares holders are deemed to receive and exchange for cash) will equal the aggregate tax basis in the TLE, TSD or Celular CRT shares, or TLE or TSD ADSs, surrendered; and

the holding period for the TCP shares or TCP ADSs that a U.S. Holder receives in the transaction will include the U.S. Holder's holding period for the shares of TLE, TSD or Celular CRT shares, or TLE or TSD ADSs, surrendered in the exchange.

If a U.S. Holder acquired blocks of TLE, TSD or Celular CRT shares, or TLE or TSD ADSs, at different times and at different prices, the tax basis and holding period in TCP shares or TCP ADSs will be determined with reference to each block of TLE, TSD or Celular CRT shares, or TLE or TSD ADSs.

Cash in Lieu of Fractional Shares

The receipt of cash in lieu of fractional shares of TCP shares or TCP ADSs by a U.S. Holder of Target shares or Target ADSs will result in taxable gain or loss to such U.S. Holder for U.S. federal income tax purposes based upon the difference between the amount of cash received by such U.S. Holder and the U.S. Holder's adjusted tax basis in the fractional share (determined as described above). The gain or loss will constitute capital gain or loss and will constitute long-term capital gain or loss if the U.S. Holder's holding period is greater than 12 months as of the date of the merger. For non-corporate U.S. Holders, this long-term capital gain generally will be taxed at reduced rates of taxation. The deductibility of capital losses is subject to limitation.

Appraisal or Dissenters' Rights

U.S. Holders of Target common shares or TSD preferred shares who exercise appraisal rights with respect to the merger as discussed in *Appraisal or Dissenters' Rights* and who receive cash in respect of the Target common shares or TSD preferred shares will recognize capital gain or loss equal to the difference between the amount of cash received and their aggregate tax basis in their shares.

Passive Foreign Investment Company Rules and TCO

Based on the projected composition of TCO's income and valuation of its assets, including goodwill, TCP, as the majority shareholder in TCO does not believe that TCO will be in the current year or has been in 1998 or any subsequent taxable year a passive foreign investment company (a PFIC), although there can be no assurance in this regard. However, PFIC status is a factual determination that is made annually. Accordingly, it is possible that TCO may have been a PFIC in prior taxable years or may become a PFIC in the current taxable year.

In general, a company is considered a PFIC for any taxable year if either (i) at least 75% of its gross income is passive income, or (ii) at least 50% of the value of its assets is attributable to assets that produce or are held for the production of passive income. The 50% of value test is based on the average of the value of the company's assets for each quarter during the taxable year. If the company owns at least 25% by value of another company's stock, it will be treated, for purposes of the PFIC rules, as owning its proportionate share of the assets and receiving its proportionate share of the income of that company.

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In determining that TCP does not believe TCO is a PFIC in the current year, TCP relied on TCO's projected capital expenditure plans and projected revenue for the current year. In addition, these determinations are based on a current valuation of TCO's assets, including goodwill. In calculating goodwill, TCP valued TCO's total assets based on its total market value, which, in turn, is based on the market value of TCO's shares and is subject to change. In addition, TCP made a number of assumptions regarding the amount of this value allocable to goodwill. TCP believes its valuation approach is reasonable. However, it is possible that the IRS may challenge the valuation of TCO's goodwill, which may also result in TCO being classified as a PFIC. Because TCP valued each Target's goodwill based on the market value of TCO shares, a decrease in the price of the TCO shares may also result in TCO becoming a PFIC.

TCO transaction fails to qualify under Section 351 or Section 368(a)(1)(B)

If a TCO is or was a PFIC for any taxable year during which a U.S. Holder holds TCO shares or TCO ADSs, and the merger does not qualify as a transaction described in section 351 or section 368(a)(1)(B) of the Code, a U.S. Holder holding shares or ADSs in TCO will be subject to special tax rules with respect to any gain realized from the merger. Under these special tax rules (i) the gain from the merger will be allocated ratably over the U.S. Holder's holding period for the TCO shares or TCO ADSs, (ii) the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which TCO was a PFIC, will be treated as ordinary income, and (iii) the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

In certain circumstances, a U.S. Holder, in lieu of being subject to the excess distribution rules discussed above, may make an election to include gain on the stock of a PFIC as ordinary income under a mark-to-market method provided that such stock is regularly traded on a qualified exchange. If a valid mark-to-market election was made by a U.S. Holder in the current or any prior taxable year (and such election remains in effect), the special tax rules discussed above do not apply. Any gain recognized pursuant to the merger will be treated as ordinary income in the current taxable year. U.S. Holders are urged to consult their tax advisor about the mark-to-market election and whether any such election would be applicable with respect to their particular circumstances.

TCO transaction qualifies under section 351 or section 368(a)(1)(B)

If TCO has been or becomes a PFIC in the current year and the exchange of TCO shares or TCO ADSs for TCP shares or TCP ADSs is treated as a transaction described in section 351 or section 368(a)(1)(B) of the Code, U.S. Holders that held shares or ADSs in any year in which TCO was a PFIC generally would recognize gain upon the exchange of TCO shares or TCO ADSs for TCP shares or TCP ADSs, in a manner similar to that described above, unless TCP is also a PFIC in the current taxable year. As discussed below in Ownership of TCP Shares or TCP ADSs Passive Foreign Investment Company Rules and TCP, TCP does not believe it is a PFIC, although no assurance can be given in this regard.

U.S. Holders are urged to consult their tax advisors concerning the U.S. federal income tax consequences of exchanging TCO shares or TCO ADSs if TCO is considered a PFIC in any taxable year.

Passive Foreign Investment Company Rules and TLE, TSD and Celular CRT

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Based on information received from TLE, TSD and Celular CRT (which are under common control with TCP), including the projected composition of TLE, TSD and Celular CRT's income and valuation of their assets, TCP does not believe that any of TLE, TSD or Celular CRT will be in the current year, or has been in 1998 or any subsequent taxable year, a PFIC (as described above under Passive Foreign Investment Company Rules and TCO), although there can be no assurance in this regard. However, PFIC status is a factual determination that is made annually. Accordingly, it is possible that TLE, TSD or Celular CRT may have been a PFIC in prior taxable years or may become a PFIC in the current taxable year.

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In determining that TCP does not believe TLE, TSD or Celular CRT is a PFIC in the current year, TCP relied on each company's projected capital expenditure plans and projected revenue for the current year. In addition, its determination is based on a current valuation of each company's assets, including goodwill. In calculating goodwill, TCP valued each company's total assets based on its total market value, which, in turn, is based on the market value of the company's shares and is subject to change. In addition, TCP made a number of assumptions regarding the amount of this value allocable to goodwill. TCP believes its valuation approach is reasonable. However, it is possible that the IRS may challenge the valuation of TLE, TSD or Celular CRT's goodwill, which may also result in such company being classified as a PFIC. Because TCP valued each company's goodwill based on the market value of the company's shares, a decrease in the price of the company's shares may also result in such company becoming a PFIC.

If TLE, TSD or Celular CRT was a PFIC for any year in which a U.S. Holder held TLE, TSD or Celular CRT shares, or TLE or TSD ADSs, then such U.S. Holder generally would recognize gain upon the exchange of TLE, TSD or Celular CRT shares, or TLE or TSD ADSs, for TCP shares or TCP ADSs, in a manner similar to that discussed above under *Passive Foreign Investment Company Rules and TCO Transaction fails to qualify under section 351 or section 368(a)(1)(B)*, unless TCP is also a PFIC. As discussed below in *Ownership of TCP Shares or TCP ADSs* *Passive Foreign Investment Company Rules and TCP*, TCP does not believe it is a PFIC, although no assurance can be given in this regard.

U.S. Holders are urged to consult their tax advisors concerning the U.S. federal income tax consequences of exchanging TLE, TSD or Celular CRT shares, or TLE or TSD ADSs, if TLE, TSD or Celular CRT is considered a PFIC in any taxable year.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to the cash payments received pursuant to the merger paid within the United States (and in certain cases, outside of the United States) to U.S. Holders other than certain exempt recipients (such as corporations), and backup withholding may apply to such amounts if the U.S. Holder fails to provide an accurate taxpayer identification number or to report dividends and interest required to be shown on its U.S. federal income tax returns. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a refund or a credit against the U.S. Holder's U.S. federal income tax liability provided the required information is provided to the IRS.

Ownership of TCP Shares or TCP ADSs

ADSs

The U.S. Treasury has expressed concerns that parties to whom ADSs are released may be taking actions that are inconsistent with the claiming of foreign tax credits for U.S. holders of ADSs. Such actions would also be inconsistent with the claiming of the reduced rate of tax, described below, applicable to dividends received by certain non-corporate U.S. Holders. Accordingly, the analysis of the creditability of Brazilian taxes and the availability of the reduced tax rate for dividends received by certain non-corporate U.S. Holders, each described below, could be affected by actions taken by parties to whom the TCP ADSs are released. Holders of TCP ADSs, for U.S. federal income tax purposes, generally will be treated as the owner of the underlying shares that are represented by such ADSs. Accordingly, deposits or withdrawals of TCP shares for TCP ADSs will not be subject to U.S. federal income tax.

Distributions on TCP Shares or TCP ADSs

Subject to the discussion under *Passive Foreign Investment Company Rules and TCP*, the gross amount of distributions paid to U.S. Holders of TCP shares or TCP ADSs (including distributions of interest on capital and amounts withheld from such distributions to reflect Brazilian withholding taxes as described above under *Brazilian Tax Considerations*) will be treated as dividend income to such U.S. Holders, to the extent paid out of current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Such

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income (including withheld taxes) will be includable in the gross income of a U.S. Holder as ordinary income on the day actually or constructively received by the U.S. Holder, in the case of shares, or by the depository, in the case of ADSs. Such dividends will not be eligible for the dividends received deduction allowed to corporations under the Code.

With respect to non-corporate U.S. Holders, certain dividends received in taxable years beginning before January 1, 2009 from a qualified foreign corporation may be subject to reduced rates of taxation. A foreign corporation is treated as a qualified foreign corporation with respect to dividends received from that corporation on shares (or ADSs backed by such shares) that are readily tradable on an established securities market in the United States. United States Treasury Department guidance indicates that TCP ADSs (which are listed on the NYSE), but not TCP preferred shares or TCP common shares, are readily tradable on an established securities market in the United States. Thus, TCP does not believe that dividends that it pays on its preferred shares that are not backed by ADSs or on its common shares currently meet the conditions required for these reduced tax rates. There can be no assurance that TCP ADSs will be considered readily tradable on an established securities market in later years. Non-corporate holders that do not meet a minimum holding period requirement during which they are not protected from the risk of loss or that elect to treat the dividend income as investment income pursuant to section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation regardless of TCP's status as a qualified foreign corporation. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. U.S. Holders are urged to consult their tax advisors regarding the application of these rules given their particular circumstances.

The amount of any dividend paid in *reais* will equal the United States dollar value of the *reais* received calculated by reference to the exchange rate in effect on the date the dividend is received by the U.S. Holder regardless of whether the *reais* are converted into United States dollars. If the *reais* received as a dividend is not converted into United States dollars on the date of receipt, a U.S. Holder will have a basis in the *reais* equal to its United States dollar value on the date of receipt. Any gain or loss realized on a subsequent conversion or other disposition of the *reais* will be treated as United States source ordinary income or loss for U.S. federal income tax and foreign tax credit limitation purposes.

Subject to certain conditions and limitations, Brazil's withholding taxes on dividends, if any, may be treated as foreign taxes eligible for credit against a U.S. Holder's U.S. federal income tax liability. Instead of claiming a credit, a U.S. Holder may, at its election, deduct such otherwise creditable Brazilian taxes in computing its taxable income, subject to generally applicable limitations under United States law. For purposes of calculating the foreign tax credit, dividends paid on the TCP shares (including TCP preferred shares underlying TCP ADSs) will be treated as income from sources outside the United States and will generally constitute passive income. Further, in certain circumstances, if a U.S. Holder:

has held TCP shares or TCP ADSs for less than a specified minimum period during which the U.S. Holder is not protected from risk of loss, or

is obligated to make payments related to the dividends,

the U.S. Holder will not be allowed a foreign tax credit for foreign taxes imposed on dividends paid on the TCP shares or TCP ADSs. The rules governing the foreign tax credit are complex. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

To the extent that the amount of any distribution exceeds TCP's current and accumulated earnings and profits for a taxable year, as determined under U.S. federal income tax principles, the distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted basis of the TCP shares or TCP ADSs (thereby increasing the amount of gain, or decreasing the amount of loss, to be recognized by the investor on a subsequent disposition of the TCP shares or TCP ADSs), and the balance in excess of adjusted basis will be taxed as capital gain recognized on a sale or exchange (as discussed below). Consequently, such distributions in excess of TCP's current and accumulated earnings and profits

would generally not give rise to foreign source income and a U.S. Holder would not be able to use the foreign tax credit arising from Brazilian withholding tax,

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if any, imposed on such distribution unless such credit can be applied (subject to applicable limitations) against U.S. federal income tax due on other foreign source income in the appropriate category for foreign tax credit purposes. However, TCP does not intend to keep earnings and profits books in accordance with U.S. federal income tax principles. Therefore, a U.S. Holder should expect that a distribution will generally be treated as dividend (as discussed above).

Sale or Exchange of TCP Shares or TCP ADSs

Subject to the discussion under *Passive Foreign Investment Company Rules and TCP*, for U.S. federal income tax purposes, a U.S. Holder will recognize taxable gain or loss on any sale or exchange of a TCP share or TCP ADS in an amount equal to the difference between the amount realized for the TCP share or TCP ADS and the U.S. Holder's adjusted tax basis (determined in United States dollars) in such share or ADS. Such gain or loss will generally be capital gain or loss. Capital gains of individuals derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss recognized by a U.S. Holder will generally be treated as United States source gain or loss for foreign tax credit purposes. Consequently, a U.S. Holder may not be able to use any foreign tax credits arising from any Brazilian withholding or other taxes imposed on the disposition of a TCP share or TCP ADS unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources.

Other Brazilian Taxes

Certain other Brazilian taxes, as discussed in *Brazilian Tax Consequences*, may not be creditable foreign taxes for U.S. federal income tax purposes, but U.S. Holders may be able to deduct such taxes, subject to certain limitations under the Code. U.S. Holders are urged to consult their tax advisors regarding the U.S. federal income tax consequences of these taxes.

Passive Foreign Investment Company Rules and TCP

Based on the projected composition of its income and valuation of its assets, including goodwill, TCP does not believe that it is currently (or that it was in 2005) a PFIC, and it does not expect to become one in the future, although there can be no assurance in this regard. However, PFIC status is a factual determination that is made annually. Accordingly, it is possible that TCP may become a PFIC in the current or any future taxable year due to changes in valuation or composition of its income or assets. If TCP is or becomes a PFIC, U.S. Holders could be subject to certain adverse U.S. federal income tax consequences as more fully described below.

In general, a company is considered a PFIC for any taxable year if either (i) at least 75% of its gross income is passive income, or (ii) at least 50% of the value of its assets is attributable to assets that produce or are held for the production of passive income.

The 50% of value test is based on the average of the value of TCP's assets for each quarter during the taxable year. If TCP owns at least 25% by value of another company's stock, it will be treated, for purposes of the PFIC rules, as owning its proportionate share of the assets and receiving its proportionate share of the income of that company.

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In determining that it does not expect to be a PFIC, TCP is relying on its projected capital expenditure plans and projected revenue for the current year and for future years. In addition, its determination is based on a current valuation of its assets, including goodwill. In calculating goodwill, TCP has valued its total assets based on its total market value, which, in turn, is based on the market value of its shares and is subject to change. In addition, TCP has made a number of assumptions regarding the amount of this value allocable to goodwill. TCP believes its valuation approach is reasonable. However, it is possible that the IRS may challenge the valuation of TCP's goodwill, which may also result in it being classified as a PFIC. Because TCP has valued its goodwill based on the market value of its shares, a decrease in the price of its shares may also result in TCP becoming a PFIC.

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If TCP is a PFIC for any taxable year during which a U.S. Holder holds its TCP shares or TCP ADSs, such U.S. Holder will be subject to special tax rules with respect to any excess distribution received and any gain realized from a sale or other disposition of TCP shares or TCP ADSs. Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or the U.S. Holder's holding period for the TCP shares or TCP ADSs will be treated as excess distributions. Under these special tax rules (i) the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period for the TCP shares or TCP ADSs, (ii) the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which TCP was a PFIC, will be treated as ordinary income, and (iii) the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

Non-corporate U.S. Holders will not be eligible for reduced rates of taxation on any dividends received from TCP in taxable years beginning prior to January 1, 2009, if TCP is a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year. If a U.S. Holder holds TCP shares or TCP ADSs in any year in which TCP is classified as a PFIC, such holder would be required to file Internal Revenue Service Form 8621.

In certain circumstances, a U.S. Holder, in lieu of being subject to the excess distribution rules discussed above, may make an election to include gain on the stock of a PFIC as ordinary income under a mark-to-market method provided that such stock is regularly traded on a qualified exchange. The TCP common shares and TCP preferred shares are listed on the São Paulo Stock Exchange, which must meet certain trading, listing, financial disclosure and other requirements to be treated as a qualified exchange under applicable U.S. Treasury regulations for purposes of the mark-to-market election, and no assurance can be given that the TCP common shares or TCP preferred shares will be regularly traded for purposes of the mark-to-market election. Under current law, however, the mark-to-market election may be available to U.S. Holders of TCP ADSs, because the ADSs are listed on the NYSE, which constitutes a qualified exchange as designated in the Code, although there can be no assurance that the TCP ADSs will be regularly traded.

If a U.S. Holder makes an effective mark-to-market election, such holder will include in each year as ordinary income the excess of the fair market value of such holder's PFIC shares or ADSs at the end of the year over such holder's adjusted tax basis in the shares or ADSs. U.S. Holders will be entitled to deduct as an ordinary loss each year the excess of such holder's adjusted tax basis in the TCP shares or TCP ADSs over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election.

A U.S. Holder's adjusted tax basis in PFIC shares or ADSs will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. If a U.S. Holder makes a mark-to-market election it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the TCP shares or TCP ADSs are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election. U.S. Holders are urged to consult their tax advisor about the availability of the mark-to-market election, and whether making the election would be advisable in their particular circumstances.

Alternatively, a U.S. Holder of shares or ADSs in a PFIC can sometimes avoid the rules described above by electing to treat the PFIC as a qualified electing fund under section 1295 of the Code. This option is not available to U.S. Holders because TCP does not intend to comply with the requirements necessary to permit U.S. Holders to make this election.

U.S. Holders are urged to consult their tax advisors concerning the U.S. federal income tax consequences of holding TCP shares or TCP ADSs if TCP is considered a PFIC in any taxable year.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to dividends in respect of the TCP shares or TCP ADSs or the proceeds received on the sale, exchange, or redemption of TCP shares or TCP ADSs paid within the

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United States (and in certain cases, outside of the United States) to U.S. Holders other than certain exempt recipients (such as corporations), and backup withholding may apply to such amounts if the U.S. Holder fails to provide an accurate taxpayer identification number or to report dividends and interest required to be shown on its U.S. federal income tax returns. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a refund or a credit against the U.S. Holder's U.S. federal income tax liability provided the required information is provided to the IRS.

Valuation Reports of Goldman Sachs

Under Article 30 of TCP's by-laws, approval of any merger, spin-off, share exchange, consolidation, or dissolution transaction involving, or winding up, any of TCP's controlled subsidiaries must be preceded by a financial analysis conducted by an independent firm as to whether any such transaction provides equitable treatment to TCP and any of the other companies involved in the transaction. TCP retained Goldman Sachs & Co. and Goldman Sachs & Companhia (together, Goldman Sachs) to perform valuation analyses with respect to TCP and each of TCO, TLE, TSD, and Celular CRT (together, for purposes of this section, the Targets; and together with TCP, the Companies) in connection with the proposed merger of each of TLE, TSD, and Celular CRT into TCP and the proposed merger of shares of TCO into TCP. On December 4, 2005, Goldman Sachs rendered valuation reports to TCP's Board of Directors, in each case expressing the view that, as of the date of each report and based upon and subject to the assumptions and considerations described in each report and based upon other matters as Goldman Sachs considered relevant, if the exchange ratio approved by TCP's Board of Directors with respect to the proposed merger of TCP and TLE, TCP and TSD, or TCP and Celular CRT, or the proposed merger of shares of TCO into TCP, as applicable, was within the implied exchange ratios derived from the valuation analyses performed by Goldman Sachs with respect to TCP and the relevant Target, that exchange ratio as of December 4, 2005 would constitute equitable treatment as understood in the manner described in the reports summarized below.

You should consider the following when reading the discussion of the valuation reports of Goldman Sachs below:

We urge you to read carefully the entire valuation reports of Goldman Sachs, which are contained in Exhibits 2.2.1, 2.2.2, 2.2.3 and 2.2.4 to our registration statement on Form F-4 of which this prospectus is a part, and which you can obtain as described below in Part Seven: Additional Information for Shareholders Where You Can Find More Information, and are incorporated by reference in this summary. The description of Goldman Sachs' valuation reports set forth below is qualified in its entirety by reference to the full text of the reports.

Goldman Sachs' valuation reports were prepared for the exclusive use of TCP's Board of Directors in connection with its analysis of the proposed mergers, as described further below, and should not be used for any other purposes, including, without limitation, to the formation of capital of TCP under the terms of the Brazilian corporation law, including, but not limited to, its Article 8.

The valuation reports were exclusively addressed to TCP's Board of Directors and do not address the underlying business decision by TCP to engage in the proposed mergers and do not constitute a recommendation to any of the Companies and/or their respective shareholders (including, but not limited to, as to whether any shareholder should vote in favor of the proposed mergers or exercise any appraisal rights or other rights with respect to the proposed mergers).

Goldman Sachs' analysis was prepared on the basis that, if the Board of Directors of TCP proposed an exchange ratio with respect to each proposed merger that fell within the range of exchange ratios implied by the ranges of value indications derived from Goldman Sachs' valuations with respect to TCP and the relevant Target involved in such merger, applied on a consistent basis, then the exchange ratio would constitute equitable treatment.

In rendering its valuation reports, Goldman Sachs:

reviewed certain financial analyses and forecasts for each of the Companies prepared and approved by the senior management of each;

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reviewed publicly available financial statements for the years ended December 31, 2002, 2003 and 2004 of each of the Companies, which were audited by the Companies' independent auditors; and

reviewed certain other financial information with respect to each of the Companies, including, but not limited to, the cash and bank balances, loans and other debt obligations and hedging and contingencies provisions of each as of September 30, 2005, as set forth in letters from the Companies' independent auditors, dated December 4, 2005, addressed to each of the Companies and forwarded to Goldman Sachs by the latter, and reflecting the professional judgment of such auditors in accordance with generally accepted accounting procedures in Brazil.

Goldman Sachs also held discussions with members of the senior management of each of the Companies with respect to their assessment of the past and current business operations, financial condition and prospects of each of the Companies. The valuation analyses also take into consideration the distribution of interest on net equity, as well as the payment of dividends as anticipated by the Board of Directors of each of the Companies.

In preparing its valuation analyses, Goldman Sachs assumed and relied, with the express consent of the Companies and without independent verification, on the accuracy, content, truthfulness, consistency, completeness, sufficiency and integrity of the financial, accounting, legal, tax and other information reviewed by or discussed with it, and Goldman Sachs did not assume any responsibility to independently verify any of the information or to make an independent verification or appraisal of any of the assets or liabilities (contingent or otherwise) of the Companies, nor did Goldman Sachs examine the solvency or fair value of the Companies under any laws concerning bankruptcy, insolvency or similar matters. To this effect, Goldman Sachs assumed no responsibility or liability with respect to the accuracy, truthfulness, integrity, consistency or sufficiency of such information, for which the respective Companies are solely and exclusively responsible. In addition, Goldman Sachs did not assume any obligation to conduct, and did not conduct, any physical inspection of the properties or facilities of the Companies. With the consent of TCP, Goldman Sachs assumed that the financial analyses and forecasts prepared by the senior management of each of the Companies, as approved by the management of each, were reasonably prepared on a basis reflecting the best currently available estimates and judgments of each of the Companies.

Goldman Sachs' valuation analyses were prepared solely based on the discounted cash flow methodology assuming a stable macroeconomic scenario for Brazil. The valuation analyses and their results do not purport to reflect the prices at which any of the Companies or its respective securities could be sold, nor do they take into account any element of value that may arise from the accomplishment or expectation of the proposed mergers. Goldman Sachs is not an accounting firm and did not provide accounting or audit services in connection with the valuation reports. In addition, because the valuation analyses are based upon forecasts of future financial results, they are not necessarily indicative of actual subsequent results, which may be significantly more or less favorable than those suggested by the analyses. Given, further, that these analyses are intrinsically subject to uncertainties and various events or factors outside the control of the Companies and Goldman Sachs, neither Goldman Sachs, nor any of its affiliates and representatives, assumed any responsibility or liability if future results differ substantially from the projections presented in the valuation analyses and made no representation or warranty with respect to such projections.

Goldman Sachs' valuation analyses are necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to Goldman Sachs as of, December 4, 2005, the date of the valuation reports. As a result, the valuation analyses are valid exclusively as of that date, as subsequent events and developments may affect the conclusions reached in the reports. Goldman Sachs did not assume any obligation to update, review, revise or revoke the valuation analyses as a result of any subsequent event or development. With respect to the valuation analyses, TCP and its Board of Directors did not authorize Goldman Sachs to solicit, nor did Goldman Sachs solicit, any indication of interest from third parties to acquire, in whole or in part, any Company's shares. As a result, the results determined in the valuation analyses do not necessarily correspond to, and should not be construed as representative of, the prices at which any of the Companies could be sold in a third-party acquisition transaction, at which their respective shares or, where applicable, ADSs traded on the date of the valuation reports or trade at any subsequent time, or at which the shares or ADSs of TCP will trade after the proposed mergers.

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In addition, the valuation analyses (i) treat the Companies as stand-alone operations, and the analyses and results of the valuation analyses therefore do not include any operational, tax or other benefits or losses, or synergies, incremental value and/or costs for the Companies, if any, which may arise from the consummation of the proposed mergers; and (ii) do not address the treatment of the different classes of shares of the Companies, and any adjustments intended to offset, or that may reflect, any specific rights associated with any specific class of shares of the Companies. Goldman Sachs therefore did not express, and the valuation analyses do not contain, any views relating to the distribution of economic value among the various classes of shares of the Companies. In preparing the valuation analyses, in accordance with applicable laws and regulations, Goldman Sachs did not take into account (i) the tax consequences of the proposed mergers for the holders of the Companies shares or ADSs; and (ii) the impact of any fees and expenses that may result from the consummation of the proposed mergers, including, but not limited to, those related to any depository services that may be charged to the holders of TCP, TCO, TLE, or TSD ADSs. In addition, pursuant to applicable laws and regulations, Goldman Sachs excluded the tax-related effects associated with the future use by TCP of the non-amortized goodwill arising from the purchase by TCP of shares of the Targets. The financial calculations contained in the valuation analyses may not always result in a precise sum due to rounding.

The following are summaries of the material analyses conducted by Goldman Sachs in preparation of its valuation reports to TCP as delivered on December 4, 2005, and do not purport to be complete descriptions of the analyses performed by Goldman Sachs. **The following summaries of financial analyses include information presented in tabular format. You should read these tables together with the text of each summary.**

* * *

Valuation Report: TCP and TCO

Goldman Sachs performed a discounted cash flow analysis to generate a range of indicative equity values per share for TCP and TCO. Valuation analyses were performed as of September 30, 2005, based on a projection period from 2005 to 2014. Unlevered free cash flows (before financing costs), based on projections provided by the managements of TCP and TCO, were projected by TCP and TCO in *reais* (R\$) and subsequently converted to U.S. dollars at the average projected exchange rate for each year for purposes of discounting the unlevered free cash flows using the weighted average cost of capital as described below. The valuation analyses assumed that each of TCP and TCO continued to operate as a stand-alone entity but with regard to TCP included the following additional components: (i) projected free cash flows for its wholly owned subsidiaries Telesp Celular S.A. and Global Telecom S.A., (ii) adjustments to reflect the net present value of TCP's expenses and (iii) the indicative value of TCP's equity interest in TCO calculated using the discounted cash flow methodology.

Enterprise values of TCP and TCO were determined by the sum of (i) the net present value indications calculated as of September 30, 2005 with respect to the unlevered cash flows for the projection period and (ii) the indicative net present value calculated as of September 30, 2005 with respect to the terminal value, determined using the perpetuity growth methodology applied to a normalized unlevered free cash flow (assuming capital expenditures equal to depreciation and excluding temporary tax benefits). Terminal value refers to the value of a particular asset at a specific future time. Present value refers to the current value of future cash flows (including terminal value) obtained by discounting such future cash flows (including terminal value) based on an interest rate that takes into account risk, the opportunity cost of capital, expected returns and other appropriate factors. The present values of the unlevered free cash flows were calculated using a weighted average cost of capital (WACC) between 11.25% and 12.75%. The perpetuity growth rate utilized for calculating the unlevered free cash flow was between 3% and 5%.

The indicative equity values calculated for TCP and TCO were determined by subtracting from the enterprise value previously calculated the total value of (i) the net debt and contingencies, as set forth in the audited balance sheets as of September 30, 2005 and (ii) the interest on shareholders' equity (*juros sobre capital próprio*) and dividends already declared but not paid, both converted to U.S. dollars at that date for purposes of discounting the unlevered free cash flows using the WACC as described above. The indicative equity values per share for TCP and

TCO were determined by dividing the indicative equity value by the total number of shares

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outstanding. Values were adjusted to reflect the number of treasury shares, which reduces the number of shares used to determine the indicative equity value per share. The valuation analyses result in aggregate equity value indications for TCP and TCO and do not allocate value between any classes of shares. No adjustments were made as to potential benefits that may arise from the transaction, such as synergies or tax gains.

Based on these assumptions, the indicative equity value of one share of TCP stock ranged from R\$13.33 to R\$22.33, and the indicative equity value of one share of TCO stock ranged from R\$46.06 to R\$61.16. Applying a consistent comparison of the indicative equity values per share of TCP and TCO stock, Goldman Sachs determined that the implied exchange ratio of TCP shares per TCO share ranged from 2.7388, assuming a 5% perpetuity growth rate and an 11.25% WACC, to 3.4562, assuming a 3% perpetuity growth rate and a 12.75% WACC.

The results of Goldman Sachs analysis are set forth in the following table.

		Perpetuity Growth Rate		
		3.0%	4.0%	5.0%
Weighted	12.75%	3.4562x	3.2941x	3.1274x
	12.00%	3.2370x	3.0830x	2.9239x
Average	11.25%	3.0387x	2.8913x	2.7388x
Cost of				
Capital				
	*	*	*	

Valuation Report: TCP and TLE

Goldman Sachs performed a discounted cash flow analysis to generate a range of indicative equity values per share for TCP and TLE. Valuation analyses were performed as of September 30, 2005, based on a projection period from 2005 to 2014. Unlevered free cash flows (before financing costs), based on projections provided by the managements of TCP and TLE, were projected by TCP and TLE in *reais* (R\$) and subsequently converted to U.S. dollars at the average projected exchange rate for each year for purposes of discounting the unlevered free cash flows using the weighted average cost of capital as described below. The valuation analyses assumed that each of TCP and TLE continued to operate as a stand-alone entity but with regard to TCP included the following additional components: (i) projected free cash flows for its wholly owned subsidiaries Telesp Celular S.A. and Global Telecom S.A., (ii) adjustments to reflect the net present value of TCP's expenses and (iii) the indicative value of TCP's equity interest in TCO calculated using the discounted cash flow methodology.

Enterprise values of TCP and TLE were determined by the sum of (i) the net present value indications calculated as of September 30, 2005 with respect to the unlevered cash flows for the projection period and (ii) the indicative net present value calculated as of September 30, 2005 with respect to the terminal value, determined using the perpetuity growth methodology applied to a normalized unlevered free cash flow (assuming capital expenditures equal to depreciation and excluding temporary tax benefits). Terminal value refers to the value of a particular asset at a specific future time. Present value refers to the current value of future cash flows (including terminal value) obtained by discounting such future cash flows (including terminal value) based on an interest rate that takes into account risk, the opportunity cost of capital, expected returns and

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other appropriate factors. The present values of the unlevered free cash flows were calculated using a weighted average cost of capital (WACC) between 11.25% and 12.75%. The perpetuity growth rate utilized for calculating the unlevered free cash flow was between 3% and 5%.

The indicative equity values calculated for TCP and TLE were determined by subtracting from the enterprise value previously calculated the total value of (i) the net debt and contingencies, as set forth in the audited balance sheets as of September 30, 2005 and (ii) the interest on shareholders' equity (*juros sobre capital próprio*) and dividends already declared but not paid, both converted to U.S. dollars at that date for purposes of discounting the unlevered free cash flows using the WACC as described above. The indicative equity values per share for TCP and TLE were determined by dividing the indicative equity value by the total number of shares outstanding. Values were adjusted to reflect the number of treasury shares, which reduces the number of shares

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used to determine the indicative equity value per share. The valuation analyses result in aggregate equity value indications for TCP and TLE and do not allocate value between any classes of shares. No adjustments were made as to potential benefits that may arise from the transaction, such as synergies or tax gains.

Based on these assumptions, the indicative equity value of one share of TCP stock ranged from R\$13.33 to R\$22.33, and the indicative equity value of one share of TLE stock ranged from R\$51.66 to R\$87.58. Applying a consistent comparison of the indicative equity values per share of TCP and TLE stock, Goldman Sachs determined that the implied exchange ratio of TCP shares per TLE share ranged from 3.8758, assuming a 3% perpetuity growth rate and a 12.75% WACC, to 3.9217, assuming a 5% perpetuity growth rate and an 11.25% WACC.

The results of Goldman Sachs analysis are set forth in the following table.

		Perpetuity Growth Rate		
		3.0%	4.0%	5.0%
Weighted	12.75%	3.8758x	3.8860x	3.8965x
	12.00%	3.8902x	3.8998x	3.9098x
	11.25%	3.9031x	3.9122x	3.9217x
Average				
Cost of				
Capital				
	*	*	*	

Valuation Report: TCP and TSD

Goldman Sachs performed a discounted cash flow analysis to generate a range of indicative equity values per share for TCP and TSD. Valuation analyses were performed as of September 30, 2005, based on a projection period from 2005 to 2014. Unlevered free cash flows (before financing costs), based on projections provided by the managements of TCP and TSD, were projected by TCP and TSD in *reais* (R\$) and subsequently converted to U.S. dollars at the average projected exchange rate for each year for purposes of discounting the unlevered free cash flows using the weighted average cost of capital as described below. The valuation analyses assumed that each of TCP and TSD continued to operate as a stand-alone entity but with regard to TCP included the following additional components: (i) projected free cash flows for its wholly owned subsidiaries Telesp Celular S.A. and Global Telecom S.A., (ii) adjustments to reflect the net present value of TCP's expenses and (iii) the indicative value of TCP's equity interest in TCO calculated using the discounted cash flow methodology.

Enterprise values of TCP and TSD were determined by the sum of (i) the net present value indications calculated as of September 30, 2005 with respect to the unlevered cash flows for the projection period and (ii) the indicative net present value calculated as of September 30, 2005 with respect to the terminal value, determined using the perpetuity growth methodology applied to a normalized unlevered free cash flow (assuming capital expenditures equal to depreciation and excluding temporary tax benefits). Terminal value refers to the value of a particular asset at a specific future time. Present value refers to the current value of future cash flows (including terminal value) obtained by discounting such future cash flows (including terminal value) based on an interest rate that takes into account risk, the opportunity cost of capital, expected returns and

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other appropriate factors. The present values of the unlevered free cash flows were calculated using a weighted average cost of capital (WACC) between 11.25% and 12.75%. The perpetuity growth rate utilized for calculating the unlevered free cash flow was between 3% and 5%.

The indicative equity values calculated for TCP and TSD were determined by subtracting from the enterprise value previously calculated the total value of (i) the net debt and contingencies, as set forth in the audited balance sheets as of September 30, 2005 and (ii) the interest on shareholders' equity (*juros sobre capital próprio*) and dividends already declared but not paid, both converted to U.S. dollars at that date for purposes of discounting the unlevered free cash flows using the WACC as described above. The indicative equity values per

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share for TCP and TSD were determined by dividing the indicative equity value by the total number of shares outstanding. Values were adjusted to reflect the number of treasury shares, which reduces the number of shares used to determine the indicative equity value per share. The valuation analyses result in aggregate equity value indications for TCP and TSD and do not allocate value between any classes of shares. No adjustments were made as to potential benefits that may arise from the transaction, such as synergies or tax gains.

Based on these assumptions, the indicative equity value of one share of TCP stock ranged from R\$13.33 to R\$22.33, and the indicative equity value of one share of TSD stock ranged from R\$48.46 to R\$66.26. Applying a consistent comparison of the indicative equity values per share of TCP and TSD stock, Goldman Sachs determined that the implied exchange ratio of TCP shares per TSD share ranged from 2.9671, assuming a 5% perpetuity growth rate and an 11.25% WACC, to 3.6360, assuming a 3% perpetuity growth rate and a 12.75% WACC.

The results of Goldman Sachs analysis are set forth in the following table.

		Perpetuity Growth Rate		
		3.0%	4.0%	5.0%
Weighted	12.75%	3.6360x	3.4852x	3.3300x
	12.00%	3.4311x	3.2879x	3.1400x
Average	11.25%	3.2458x	3.1089x	2.9671x
Cost of				
Capital				
	*	*	*	

Valuation Report: TCP and Celular CRT

Goldman Sachs performed a discounted cash flow analysis to generate a range of indicative equity values per share for TCP and Celular CRT. Valuation analyses were performed as of September 30, 2005, based on a projection period from 2005 to 2014. Unlevered free cash flows (before financing costs), based on projections provided by the managements of TCP and Celular CRT, were projected by TCP and Celular CRT in reais (R\$) and subsequently converted to U.S. dollars at the average projected exchange rate for each year for purposes of discounting the unlevered free cash flows using the weighted average cost of capital as described below. The valuation analyses assumed that each of TCP and Celular CRT continued to operate as a stand-alone entity but with regard to TCP included the following additional components: (i) projected free cash flows for its wholly owned subsidiaries Telesp Celular S.A. and Global Telecom S.A., (ii) adjustments to reflect the net present value of TCP's expenses and (iii) the indicative value of TCP's equity interest in TCO calculated using the discounted cash flow methodology.

Enterprise values of TCP and Celular CRT were determined by the sum of (i) the net present value indications calculated as of September 30, 2005 with respect to the unlevered cash flows for the projection period and (ii) the indicative net present value calculated as of September 30, 2005 with respect to the terminal value, determined using the perpetuity growth methodology applied to a normalized unlevered free cash flow (assuming capital expenditures equal to depreciation and excluding temporary tax benefits). Terminal value refers to the value of a particular asset at a specific future time. Present value refers to the current value of future cash flows (including terminal value) obtained by discounting

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such future cash flows (including terminal value) based on an interest rate that takes into account risk, the opportunity cost of capital, expected returns and other appropriate factors. The present values of the unlevered free cash flows were calculated using a weighted average cost of capital (WACC) between 11.25% and 12.75%. The perpetuity growth rate utilized for calculating the unlevered free cash flow was between 3% and 5%.

The indicative equity values calculated for TCP and Celular CRT were determined by subtracting from the enterprise value previously calculated the total value of (i) the net debt and contingencies, as set forth in the

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audited balance sheets as of September 30, 2005 and (ii) the interest on shareholders' equity (*juros sobre capital próprio*) and dividends already declared but not paid, both converted to U.S. dollars at that date for purposes of discounting the unlevered free cash flows using the WACC as described above. The indicative equity values per share for TCP and Celular CRT were determined by dividing the indicative equity value by the total number of shares outstanding. Values were adjusted to reflect the number of treasury shares, which reduces the number of shares used to determine the indicative equity value per share. The valuation analyses result in aggregate equity value indications for TCP and Celular CRT and do not allocate value between any classes of shares. No adjustments were made as to potential benefits that may arise from the transaction, such as synergies or tax gains.

Based on these assumptions, the indicative equity value of one share of TCP stock ranged from R\$13.33 to R\$22.33, and the indicative equity value of one share of Celular CRT stock ranged from R\$104.07 to R\$140.96. Applying a consistent comparison of the indicative equity values per share of TCP and Celular CRT stock, Goldman Sachs determined that the implied exchange ratio of TCP shares per Celular CRT share ranged from 6.3119, assuming a 5% perpetuity growth rate and an 11.25% WACC, to 7.8089, assuming a 3% perpetuity growth rate and a 12.75% WACC.

The results of Goldman Sachs' analysis are set forth in the following table.

		Perpetuity Growth Rate		
		3.0%	4.0%	5.0%
Weighted	12.75%	7.8089x	7.4721x	7.1256x
	12.00%	7.3492x	7.0294x	6.6993x
Average	11.25%	6.9335x	6.6280x	6.3119x
Cost of				
Capital				

* * *

The preparation of financial analyses such as those conducted in the preparation of the valuation analyses is a complex process that involves subjective judgment and is not susceptible to partial analysis or summary description. In arriving at its conclusions, Goldman Sachs did not attribute any particular weight to any particular factor considered by it; rather, Goldman Sachs made qualitative judgments as to the importance and relevance of all the factors considered in the valuation reports. Accordingly, Goldman Sachs believes that the valuation analyses should be considered as a whole and that selecting portions of its analyses or the factors considered as part of those analyses could result in an incomplete and incorrect understanding of the conclusions of the valuation analyses. The results presented in the valuation reports refer solely to the proposed mergers between TCP and Targets and do not extend to any other present or future matters or transactions regarding the Companies, the economic group to which they belong or the sector in which they operate.

Goldman Sachs was retained by TCP on October 24, 2005. Pursuant to the engagement letter entered into as of the same date between TCP and Goldman Sachs, Goldman Sachs received a fee for its services upon rendering the reports. Moreover, TCP has agreed to reimburse Goldman Sachs' expenses and indemnify it for certain liabilities that may arise as a result of this engagement.

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Goldman Sachs and its affiliates, as part of their investment banking business, are continually engaged in performing financial analyses with respect to businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and other transactions as well as for estate, corporate and other purposes. In addition, Goldman Sachs and its affiliates have provided certain investment banking services to TCP from time to time, including having acted as TCP's financial advisors in connection with its rights offerings of 2002 and 2004 and in the voluntary tender offer for the acquisition of TCO preferred shares in 2004. Goldman Sachs also has provided and currently is providing certain investment banking services to Telefónica, S.A., one of the indirect

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controlling shareholders in TCP, including in its cash offer to acquire the entire issued and to be issued share capital of O2 plc. Goldman Sachs also may provide investment banking services to each of the Companies and their affiliates in the future. In connection with the above-described services, Goldman Sachs has received, and may receive, compensation.

Goldman Sachs is a full-service securities firm engaged, either directly or through its affiliates, in securities trading, investment management, financial planning and benefits counseling, risk management, hedging, financing and brokerage activities for both companies and individuals. In the ordinary course of these activities, Goldman Sachs and its affiliates may provide such services to each of the Companies and their respective affiliates, may actively trade their debt and equity securities (or related derivative securities) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities.

Comparative Share and Dividend Information

Historical Share Information

TCP's common shares are currently listed on the São Paulo Stock Exchange under the ticker symbol TSPP3, preferred shares are currently listed on the São Paulo Stock Exchange under the ticker symbol TSPP4, and ADSs representing preferred shares are listed on the NYSE under the ticker symbol TCP. Each of our ADSs represents 1 (one) preferred share of TCP. The Bank of New York is TCP's depositary and issues the ADRs evidencing our ADSs. TCP's ADSs commenced trading on the NYSE on November 16, 1998.

TCO's common shares are currently listed on the São Paulo Stock Exchange under the ticker symbol TCOC3, preferred shares are currently listed on the São Paulo Stock Exchange under the ticker symbol TCOC4, and ADSs representing preferred shares are listed on the NYSE under the ticker symbol TRO. Each TCO ADS represents 1 (one) preferred share of TCO. The Bank of New York is TCO's depositary and issues the ADRs evidencing TCO's ADSs. TCO's ADSs commenced trading on the NYSE on November 16, 1998.

TLE's common shares are currently listed on the São Paulo Stock Exchange under the ticker symbol TLCP3, preferred shares are currently listed on the São Paulo Stock Exchange under the ticker symbol TLCP4, and ADSs representing preferred shares are listed on the NYSE under the ticker symbol TBE. Each TLE ADS represents 1 (one) preferred share of TLE. The Bank of New York is TLE's depositary and issues the ADRs evidencing TLE's ADSs. TLE's ADSs commenced trading on the NYSE on November 16, 1998.

TSD's common shares are currently listed on the São Paulo Stock Exchange under the ticker symbol TSEP3, preferred shares are currently listed on the São Paulo Stock Exchange under the ticker symbol TSEP4, and ADSs representing preferred shares are listed on the NYSE under the ticker symbol TSD. Each TSD ADS represents 1 (one) preferred share of TSD. The Bank of New York is TSD's depositary and issues the ADRs evidencing TSD's ADSs. TSD's ADSs commenced trading on the NYSE on November 16, 1998.

Cellular CRT's common shares are currently listed on the São Paulo Stock Exchange under the ticker symbol CRTP3 and preferred shares are currently listed on the São Paulo Stock Exchange under the ticker symbol CRTP5.

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TCP, TCO, TLE, TSD and Celular CRT have each completed a reverse stock split and a capital increase during 2005, and TCO and TLE have also completed a cancellation of treasury shares. See Part Four: Information on the VIVO Companies Recent Developments.

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The following tables set forth the high and low of the last reported closing prices per TCP common share, per TCP preferred share and per TCP ADS, as compared to the common share, preferred shares and ADS of each of TCO, TLE, TSD and Celular CRT, for the periods indicated. Common share and preferred share prices are as reported on the São Paulo Stock Exchange, ADS prices are as reported on the NYSE.

	Common Shares									
	TCP		TCO		TLE		TSD		Celular CRT	
	Low	High	Low	High	Low	High	Low	High	Low	High
	(reais)		(reais)		(reais)		(reais)		(reais)	
2000										
Annual	28.75	74.63	7.50	28.11	52.50	99.50	23.25	54.00	22.10	52.00
2001										
Annual	11.63	43.05	16.47	27.54	45.50	115.00	24.05	40.00	25.00	105.00
2002										
Annual	6.00	19.87	21.72	27.93	23.00	77.00	24.15	27.95	22.00	50.00
2003										
Annual	7.90	16.07	24.30	50.19	17.50	43.50	19.50	27.00	26.00	48.00
First quarter	7.90	11.50	27.90	40.50	17.50	37.50	24.45	25.75	27.00	31.00
Second quarter	10.05	12.00	39.30	44.70	22.50	29.00	23.50	27.00	26.00	30.00
Third quarter	9.00	12.15	41.70	48.00	24.00	34.00	19.50	24.05	29.00	41.00
Fourth quarter	10.72	16.07	24.30	50.19	30.50	43.50	22.05	25.20	37.00	48.00
2004										
Annual	11.33	18.50	23.85	38.70	25.50	42.50	20.25	35.00	32.00	56.00
First quarter	14.13	17.95	23.85	28.50	33.00	42.50	22.50	27.45	40.00	50.00
Second quarter	12.83	18.50	28.50	32.40	30.00	36.50	20.25	26.85	32.00	46.30
Third quarter	12.50	16.12	30.42	33.00	33.50	40.50	22.95	29.50	37.50	53.00
Fourth quarter	11.33	13.00	35.85	38.70	25.50	40.50	23.10	35.00	37.00	56.00
2005										
First quarter	11.83	13.70	39.09	43.18	19.50	26.49	21.45	24.45	37.82	40.81
Second quarter	8.55	12.70	17.59	48.50	15.00	21.00	17.50	23.00	38.82	43.79
Third quarter	7.30	8.89	17.48	20.45	13.85	15.80	15.60	19.00	37.80	42.00
Last six months										
June 2005	8.55	10.46	17.59	24.40	15.00	17.50	17.50	20.00	39.81	43.79
July 2005	8.15	8.89	17.48	18.98	13.85	15.80	17.50	19.00	38.50	42.00
August 2005	8.05	8.81	18.64	20.20	14.40	16.10	17.59	18.50	37.80	40.99
September 2005	7.30	8.40	19.44	20.45	13.85	15.20	15.60	18.00	38.00	41.00
October 2005	7.00	7.89	19.12	19.86	13.10	14.20	15.66	18.00	38.00	41.88
November 2005	7.10	7.43	19.99	22.38	13.30	14.20	17.00	18.00	37.00	40.00
December (until December 13)	7.30	8.39	21.80	29.00	13.80	29.98	17.60	27.99	39.00	60.00

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	Preferred Shares									
	TCP		TCO		TLE		TSD		Celular CRT	
	Low	High	Low	High	Low	High	Low	High	Low	High
	(reais)		(reais)		(reais)		(reais)		(reais)	
2000										
Annual	41.65	113.25	10.35	26.70	54.50	119.50	34.00	109.00	28.30	89.00
2001										
Annual	13.00	57.50	9.60	27.00	27.50	103.00	25.50	52.50	26.50	112.00
2002										
Annual	6.50	23.15	7.08	17.37	17.50	51.00	28.35	34.50	29.70	56.40
2003										
Annual	7.93	20.72	11.70	31.41	18.50	42.50	25.50	37.00	30.00	62.95
First quarter	7.93	12.63	11.70	17.19	18.50	27.00	31.10	34.50	30.00	36.80
Second quarter	10.48	12.12	15.57	17.70	21.00	24.00	33.95	37.00	32.00	36.35
Third quarter	9.83	14.97	14.70	23.01	20.00	29.00	25.50	33.20	33.55	49.00
Fourth quarter	14.08	20.72	21.99	31.41	27.50	42.50	28.45	34.00	48.20	62.95
2004										
Annual	16.00	27.67	21.72	35.31	28.50	53.00	23.05	36.70	42.00	67.50
First quarter	18.50	26.68	26.64	35.31	28.50	42.00	26.55	35.95	52.60	67.50
Second quarter	18.50	27.67	21.72	34.95	30.00	43.50	23.05	32.50	42.00	64.00
Third quarter	17.12	23.82	24.06	29.64	38.50	53.00	29.70	36.25	52.00	63.30
Fourth quarter	16.00	18.93	24.33	30.15	30.50	46.00	29.05	36.70	47.00	64.00
2005										
First quarter	14.90	19.38	24.24	30.91	22.50	31.00	24.50	29.80	46.00	54.75
Second quarter	9.94	15.85	23.10	28.48	17.35	23.49	18.07	25.50	44.40	53.99
Third quarter	8.31	10.89	20.69	25.07	14.20	18.66	16.73	19.87	42.45	53.50
Last six months										
June 2005	9.94	13.00	23.10	26.20	17.68	23.49	18.07	20.49	44.40	53.99
July 2005	9.40	10.78	22.23	24.25	14.20	18.66	17.63	19.87	42.45	50.00
August 2005	9.75	10.89	22.46	25.07	14.58	17.44	18.21	19.50	49.10	52.50
September 2005	8.31	9.72	20.69	23.10	14.57	15.69	16.73	19.00	47.50	53.50
October 2005	7.00	9.03	18.13	20.52	12.96	14.84	16.61	17.89	48.00	53.12
November 2005	7.33	8.24	20.10	22.39	14.82	16.10	17.30	18.00	51.99	53.20
December (until December 13)	7.80	10.45	21.90	30.99	15.52	36.10	17.60	31.00	53.78	70.00

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	ADSs							
	TCP		TCO		TLE		TSD	
	Low	High	Low	High	Low	High	Low	High
	(U.S. Dollars)		(U.S. Dollars)		(U.S. Dollars)		(U.S. Dollars)	
2001								
Annual	21.06	64.50	5.44	15.38	27.50	67.06	17.25	62.25
2001								
Annual	4.63	31.69	4.28	13.63	10.50	44.44	10.60	26.25
2002								
Annual	1.71	10.03	2.20	7.45	4.50	22.42	7.70	13.40
2003								
Annual	2.20	7.08	3.28	10.55	5.05	14.59	7.95	12.80
First quarter	2.20	3.81	3.28	5.03	5.05	8.20	8.60	9.99
Second quarter	3.31	4.25	4.90	6.17	6.50	8.73	10.70	12.80
Third quarter	3.19	5.20	4.74	7.86	6.32	9.97	7.95	12.10
Fourth quarter	4.85	7.08	7.55	10.55	9.99	14.59	9.75	11.64
2004								
Annual	5.81	9.66	7.10	12.35	10.01	17.24	7.47	12.76
First quarter	6.43	9.64	9.03	12.35	10.01	14.80	9.25	12.64
Second quarter	6.00	9.66	7.10	12.09	10.20	13.73	7.47	11.20
Third quarter	6.02	7.77	8.11	10.28	12.90	17.24	9.45	12.76
Fourth quarter	5.81	6.80	8.60	10.75	10.69	16.12	10.45	12.75
2005								
First quarter	5.49	7.52	8.95	11.86	8.35	10.86	8.90	9.94
Second quarter	4.25	6.20	9.68	10.88	6.91	9.77	7.90	9.61
Third quarter	3.65	4.70	9.06	10.63	6.00	7.80	7.12	8.10
Last six months								
June 2005	4.25	5.34	9.68	10.82	6.91	9.77	7.90	8.35
July 2005	4.03	4.70	9.19	10.27	6.00	7.80	7.25	7.85
August 2005	4.05	4.64	9.41	10.63	6.10	7.65	7.60	7.87
September 2005	3.65	4.25	9.06	9.90	6.32	6.80	7.12	8.10
October 2005	3.12	4.00	8.04	9.13	5.70	7.25	7.28	7.93
November 2005	3.38	3.68	9.05	10.01	6.71	7.25	7.70	8.04
December (until December 13)	3.56	4.57	9.93	13.20	6.99	16.50	7.75	15.00

We urge you to obtain current market quotations.

Dividend Information

The following tables show the amount of dividends and interest on shareholders' equity declared by each of TCP, TCO, TLE, TSD and Celular CRT on common shares and preferred shares, and by each of TCO, TLE and TSD on ADS, for the years 2002 to 2005. The dividend amounts set forth below for each year were paid in the immediately following year. The tables set forth amounts in *reais* per common shares and preferred shares, and amounts in U.S. dollars per ADSs translated from *reais* into U.S. dollars at the prevailing rate on each of the respective dates of those payments.

Common Shares

	R\$ per share(1)				
	TCP	TCO(2)	TLE	TSD(3)	Celular CRT(4)
2002		0.212425		0.2315	11.3830
2003		0.295922		0.081277	14.2407
2004		0.317172		0.046442	19.0879
2005		0.690727		0.305462	0.949020

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- (1) For the years 2002, 2003 and 2004 amounts are per thousand shares. For the year 2005 amounts are per share.
- (2) Amounts include both dividends of R\$0.356896 per common share, to be paid no later than December 29, 2005, and interest on shareholders' equity of R\$0.333831 per common share, for which the payment date will be approved at the general shareholders' meeting to be held by April 30, 2006.
- (3) The payment date for interest on shareholders' equity will be approved at the general shareholders' meeting to be held by April 30, 2006.
- (4) Amounts include both dividends of R\$0.491233 per common share, to be paid no later than December 29, 2005, and interest on shareholders' equity of R\$0.457787 per common share, for which the payment date will be approved at the general shareholders' meeting to be held by April 30, 2006.

	Preferred Shares				
	TCP	TCO(2)	TLE	TSD(3)	Celular CRT(4)
	R\$ per share(1)				
2002		0.212425		0.2547	12.5214
2003		0.295922		0.089405	15.6648
2004		0.317172		0.051087	20.9967
2005		0.690727		0.336008	1.043922

- (1) For the years 2002, 2003 and 2004 amounts are per thousand shares. For the year 2005 amounts are per share.
- (2) Amounts include both dividends of R\$0.356896 per preferred share, to be paid no later than December 29, 2005, and interest on shareholders' equity of R\$0.333831 per preferred share, for which the payment date will be approved at the general shareholders' meeting to be held by April 30, 2006.
- (3) The payment date for interest on shareholders' equity will be approved at the general shareholders' meeting to be held by April 30, 2006.
- (4) Amounts include both dividends of R\$0.540356 per preferred share, to be paid no later than December 29, 2005, and interest on shareholders' equity of R\$0.503566 per preferred share, for which the payment date will be approved at the general shareholders' meeting to be held by April 30, 2006.

	ADSs			
	TCP	TCO	TLE	TSD
	U.S.\$ per share			
2002		0.2199		0.3503
2003		0.302608		0.15555
2004			(1)	(1)
2005			(2)	(3)

- (1) Dividends and interest on shareholders' equity will be paid on December 22, 2005 and the U.S. dollar equivalent must be determined based on the applicable exchange rate on the payment date.
- (2) Dividends will be paid on December 22, 2005 and the U.S. dollar equivalent must be determined based on the applicable exchange rate on the payment date.
- (3) To be determined at a general meeting of the shareholders to be held no later than April 30, 2006.

Certain Contracts

TCO has been a subsidiary of TCP since TCP acquired a majority of the common shares of TCO from Fixcel in April 2003. See Background for the Merger Ownership of TCP, TCO, TLE, TSD and Celular CRT After the Privatization TCP and its Subsidiaries. During the periods for which financial statements are included in this prospectus, TCP has had no other material contracts, arrangements, understandings, relationships, negotiations or transactions with Fixcel and its affiliates, except for those that led to the acquisition by TCP of the majority of the common

shares of TCO.

In January 2001, Portugal Telecom and Telefónica Móviles entered into a strategic agreement to create a joint venture named Brasilcel that would aggregate all their investments in cellular telecommunications

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businesses in Brazil to the extent permitted under Brazilian law. In December 2002, after Anatel approved the joint venture, Portugal Telecom transferred its interests in TCP and Celular CRT to Brasilcel, and Telefónica Móviles transferred its interests in TSD, TLE and Celular CRT to Brasilcel. Since that date, TCP, TLE, TSD and Celular CRT have been under common control. See Background for the Merger.

From time to time, Portugal Telecom and Telefónica Móviles have considered various proposals for the restructuring of Brasilcel's interests in the VIVO companies. Brasilcel also increased its interests in TCP, TLE, TSD and Celular CRT through public tender offers in October 2004. See Background for the Merger Ownership of TCP, TCO, TLE, TSD and Celular CRT After the Privatization.

TCP has also been a party to a number of agreements and transactions with affiliates of Portugal Telecom and Telefónica Móviles, who are also affiliates of TLE, TSD and Celular CRT by virtue of Brasilcel's common control of TCP and TLE, TSD and Celular CRT. See Item 7.B. Related Party Transactions in the Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2004 of each of TCP, TLE and TSD, which is included or incorporated by reference in this prospectus, and note 25 to the audited consolidated financial statements of Celular CRT at December 31, 2003 and 2004 and for the three years in the period ended December 31, 2004, which are included in Part Nine: Financial Statements of this prospectus.

Unaudited Pro Forma Combined Financial Information

The following unaudited pro forma combined financial information gives pro forma effect to (1) our acquisition of a portion of the minority interest of TCO through a public tender offer in October 2004, (2) the proposed merger of shares of TCO with TCP described in this prospectus, and (3) the proposed merger of TSD, Celular CRT and TLE into TCP described in this prospectus. We refer to the events described in clauses (2) and (3) as the merger. Because TCP, TLE, TSD and Celular CRT came under common control on December 27, 2002, we have presented unaudited pro forma combined financial information for the year ended December 31, 2003 giving effect to the merger with respect to the proportionate interest in the Targets under common control. This financial information was prepared from, and should be read in conjunction with, the following historical financial statements, including the applicable notes thereto:

our audited consolidated financial statements for the years ended December 31, 2004 and 2003, which are incorporated by reference into this prospectus;

the audited consolidated financial statements of TCO, TLE, TSD and Celular CRT for the years ended December 31, 2004 and 2003, which are incorporated by reference or included in this prospectus;

our unaudited condensed consolidated interim financial statements as of September 30, 2005 and for the nine-month period ended September 30, 2005, which are included in this prospectus; and

the unaudited condensed consolidated interim financial statements of TCO, TLE, TSD and Celular CRT as of September 30, 2005 and for the nine-month period ended September 30, 2005, which are included in this prospectus.

The unaudited pro forma combined balance sheet as of September 30, 2005 combines the historical consolidated balance sheets of TCP, TLE, TSD and Celular CRT, giving effect to (i) the merger with respect to the proportionate interest in the Targets under common control as if it had been consummated on December 27, 2002, the date these companies came under common control, and (ii) the acquisitions of the minority interests in TCO, TLE, TSD and Celular CRT as if they had occurred on September 30, 2005. The unaudited pro forma combined statements of loss for the nine-month period ended September 30, 2005 and the years ended December 31, 2004 and 2003 combine the historical consolidated

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statements of income of TCP, TLE, TSD and Celular CRT, giving effect to the merger with respect to the proportionate interest in the Targets under common control as if the merger had been consummated on December 27, 2002, and the acquisition of the minority interests as if they had occurred on January 1, 2004.

The unaudited pro forma combined financial information was prepared in accordance with Brazilian GAAP, which differs in certain material respects from U.S. GAAP. Note 37 to our audited consolidated financial

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statements and note 21 to our unaudited condensed consolidated interim financial statements describe the principal differences between Brazilian GAAP and U.S. GAAP as they relate to us. The unaudited pro forma combined financial information includes pro forma reconciliations from Brazilian GAAP to U.S. GAAP of net loss for the nine-month period ended September 30, 2005 and the years ended December 31, 2004 and 2003, and of shareholders' equity as of September 30, 2005.

The pro forma adjustments presented in the unaudited pro forma combined financial information give effect to estimates and assumptions that our management believes to be reasonable. The unaudited pro forma combined financial information does not include pro forma adjustments to take into account any synergies or cost savings that may or are expected to occur as a result of the merger.

This unaudited pro forma combined financial information is being provided for illustrative purposes only. It does not purport to represent our actual financial position or results of operations had the merger occurred on the dates specified, nor does it project our results of operations or financial position for any future period or date.

Table of Contents**Telesp Celular Participações S.A.****Pro Forma Combined Statement of Income****For the Year Ended December 31, 2003****(in millions of reais)**

	TCP	TLE	TSD	Celular CRT	Effects of the merger (2)	Eliminations	Pro forma TCP
Net operating revenue	6,046.4	441.3	1,892.5	1,032.7		(19.4)	9,393.5
Cost of services and goods	(3,020.5)	(256.3)	(1,052.5)	(526.2)		19.4	(4,836.1)
Gross profit	3,025.9	185.0	840.0	506.5			4,557.4
Operating expenses:							
Selling expenses	(1,264.9)	(145.0)	(387.5)	(171.3)			(1,968.7)
General and administrative expenses	(561.3)	(49.3)	(224.4)	(89.4)			(924.4)
Other net operating income (expenses)	(145.0)	(3.1)	13.3	(3.9)			(138.7)
Operating income (loss) before net financial income (expenses)	1,054.7	(12.4)	241.4	241.9			1,525.6
Net financial income (expenses)	(1,133.5)	(30.3)	(15.0)	17.7			(1,161.1)
Operating income (loss)	(78.8)	(42.7)	226.4	259.6			364.5
Net non-operating income (expense)	(25.7)	(0.7)	(8.5)	(1.2)			(36.1)
Income (loss) before minority interest and income taxes	(104.5)	(43.4)	217.9	258.4			328.4
Income taxes	(277.9)	0.8	(61.6)	(69.1)			(407.8)
Minority interest	(257.7)						(257.7)
Net income (loss)	(640.1)	(42.6)	156.3	189.3			(337.1)
U.S. GAAP adjustments	541.5	36.2	(39.4)	94.0	(46.4)		585.9
Net income (loss) under U.S. GAAP	(98.6)	(6.4)	116.9	283.3	(46.4)		248.8
Earnings (loss) per share:							
Loss per thousand shares common and preferred under Brazilian GAAP							(0.39)
Basic income (loss) per share:							
Common U.S. GAAP							0.29
Preferred U.S. GAAP							0.29
Diluted income (loss) per share:							
Common U.S. GAAP							0.24
Preferred U.S. GAAP							0.24

Table of Contents**Telesp Celular Participações S.A.****Pro Forma Combined Statement of Loss****For the Year Ended December 31, 2004****(in millions of reais, except per share amounts)**

	TCP	TLE	TSD	Celular CRT	Tender offer for TCO shares in Oct. 2004 (1)	Effects of the merger (2)	Eliminations	Pro forma TCP
Net operating revenue	7,341.0	487.0	1,927.0	1,174.3				10,929.3
Cost of services and goods	(3,335.1)	(282.2)	(1,112.5)	(620.5)				(5,350.3)
Gross profit	4,005.9	204.8	814.5	553.8				5,579.0
Operating expenses:								
Selling expenses	(1,896.4)	(147.1)	(508.5)	(264.9)				(2,816.9)
General and administrative expenses	(634.9)	(57.8)	(187.8)	(95.6)				(976.1)
Other net operating income (expenses)	(159.5)	(0.9)	17.0	27.3	(71.8)			(187.9)
Operating income (loss) before net financial expenses	1,315.1	(1.0)	135.2	220.6	(71.8)			1,598.1
Net financial income (expenses)	(1,095.4)	(24.7)	5.7	25.8				(1,088.6)
Operating income (loss)	219.7	(25.7)	140.9	246.4	(71.8)			509.5
Net nonoperating expense	(51.2)	(1.9)		(7.8)				(60.9)
Income (loss) before minority interest and income taxes	168.5	(27.6)	140.9	238.6	(71.8)			448.6
Income taxes	(327.1)	(6.6)	(48.1)	(56.7)				(438.5)
Minority interest	(331.5)					331.5		
Net income (loss)	(490.1)	(34.2)	92.8	181.9	(71.8)	331.5		10.1
U.S. GAAP adjustments	(10.6)	(14.4)	(79.2)	(13.0)	12.8	(388.7)		(493.1)
Net income (loss) under U.S. GAAP	(500.7)	(48.6)	13.6	168.9	(59.0)	(57.2)		(483.0)
Earnings per share:								
Earnings income (loss) per thousand shares common and preferred under Brazilian GAAP								0.01
Basic loss per share:								
Common U.S. GAAP								(0.39)
Preferred U.S. GAAP								(0.39)
Diluted loss per share:								
Common U.S. GAAP								(0.39)
Preferred U.S. GAAP								(0.39)

Table of Contents**Telesp Celular Participações S.A.****Pro Forma Combined Statement of Loss****For the Nine-Month Period Ended September 30, 2005****(in millions of reais, except per share amounts)**

	<u>TCP</u>	<u>TLE</u>	<u>TSD</u>	<u>Celular CRT</u>	<u>Effects of the merger (2)</u>	<u>Eliminations</u>	<u>Pro forma TCP</u>
Net operating revenue	5,491.7	418.7	1,505.3	892.4			8,308.1
Cost of services and goods	(2,479.7)	(233.4)	(777.3)	(420.3)			(3,910.7)
Gross profit	3,012.0	185.3	728.0	472.1			4,397.4
Operating expenses:							
Selling expenses	(1,790.9)	(141.8)	(462.2)	(270.5)			(2,665.4)
General and administrative expenses	(455.1)	(42.8)	(148.4)	(76.5)			(722.8)
Other net operating income (expenses)	(287.0)	(4.7)	(6.3)	7.8			(290.2)
Operating income before net financial expenses	479.0	(4.0)	111.1	132.9			719.0
Net financial income (expenses)	(683.9)	(44.7)	14.6	33.2			(680.8)
Operating income (loss)	(204.9)	(48.7)	125.7	166.1			38.2
Net nonoperating income (expense)	12.0	0.2	0.8	(2.3)			10.7
Income (loss) before minority interest and income taxes	(192.9)	(48.5)	126.5	163.8			48.9
Income taxes	(265.8)	(6.0)	(48.4)	(59.4)			(379.6)
Minority interest	(133.0)				133.0		
Net income (loss)	(591.7)	(54.5)	78.1	104.4	133.0		(330.7)
U.S. GAAP adjustments	206.0	(5.4)	(18.4)	1.1	(281.3)		(98.0)
Net income (loss) under U.S. GAAP	(385.7)	(59.9)	59.7	105.5	(148.3)		(428.7)
Earnings (loss) per share:							
Loss per shares common and preferred under Brazilian GAAP							(0.23)
Basic loss per share:							
Common U.S. GAAP							(0.31)
Preferred U.S. GAAP							(0.31)
Diluted loss per share:							
Common U.S. GAAP							(0.31)
Preferred U.S. GAAP							(0.31)

Table of Contents**Telesp Celular Participações S.A.****Pro Forma Combined Balance Sheet**

As of September 30, 2005

(in millions of reais)

	TCP	TLE	TSD	Celular CRT	Effects of the merger (2)	Eliminations	Pro forma TCP
Current assets:	4,527.1	263.2	1,342.5	970.1		(22.8)	7,080.1
Noncurrent assets:							
Recoverable taxes	449.0	25.7	85.6	27.9			588.2
Deferred income taxes	901.6	184.3	165.7	54.0			1,305.6
Prepaid expenses	24.5	1.4	16.9	2.7			45.5
Other noncurrent assets	63.2	14.9	9.1	11.1			98.3
Total noncurrent assets	1,438.3	226.3	277.3	95.7			2,037.6
Permanent assets:							
Investments	1,649.5		0.5	1.3			1,651.3
Goodwill on merged subsidiary, net	43.5						43.5
Property, plant and equipment, net	5,725.2	369.9	1,164.4	742.4			8,001.9
Deferred assets, net	145.7	0.3	2.1	0.9			149.0
Other	1.8						1.8
Total permanent assets	7,565.7	370.2	1,167.0	744.6			9,847.5
Total assets	13,531.1	859.7	2,786.8	1,810.4		(22.8)	18,965.2
Current liabilities:	4,084.4	372.9	689.0	422.6		(22.8)	5,546.1
Noncurrent liabilities							
Loans and financing	3,309.8	116.6		133.3			3,559.7
Reserve for contingencies	212.2	8.3	24.1	2.7			247.3
Taxes payable	177.1						177.1
Derivative contracts	323.4	35.7		19.7			378.8
Pension and other postretirement benefit plans	0.4	0.3	0.8	0.6			2.1
Other noncurrent liabilities	38.9	5.9	24.1	7.4			76.3
Total noncurrent liabilities	4,061.8	166.8	49.0	163.7			4,441.3
Minority interest	1,068.8				(1,068.8)		
Shareholders' equity							
Capital stock	6,670.2	306.8	927.9	327.5	1,068.8		9,301.2
Treasury stock				(11.1)	11.1		
Capital reserve	793.4	126.4	170.5	498.4	(11.1)		1,577.6
Income reserves			235.2	304.8	(540.0)		
Accumulated earnings (deficit)	(3,147.8)	(113.2)	715.1	104.5	540.0		(1,901.4)
Total shareholders' equity	4,315.8	320.0	2,048.7	1,224.1	1,068.8		8,977.4
Funds for capitalization	0.3		0.1				0.4
Shareholders' equity and funds for capitalization	4,316.1	320.0	2,048.8	1,224.1	1,068.8		8,977.8
Total liabilities and shareholders' equity	13,531.1	859.7	2,786.8	1,810.4		(22.8)	18,965.2
Shareholders' equity under Brazilian GAAP	4,315.8	320.0	2,048.7	1,224.1	1,068.8		8,977.4
U.S. GAAP adjustments (2)	34.3	5.8	(0.3)	4.7	4,057.7		4,102.2
Shareholders' equity under U.S. GAAP	4,350.1	325.8	2,048.4	1,228.8	5,126.5		13,079.6

Table of Contents**Telesp Celular Participações S.A.****Notes to Unaudited Pro Forma Combined Financial Information**(all amounts in millions of *reais*, except per share amounts)

- (1) The pro forma adjustments for the October 2004 tender offer for a portion of the minority interest of TCO represent (i) the pro forma amortization of the goodwill recorded under Brazilian GAAP and (ii) pro forma U.S. GAAP adjustments to reflect purchase accounting in accordance with SFAS No. 141, *Business Combinations*. Under the purchase method of accounting, the pro rata assets acquired and liabilities assumed are recorded at their fair values, and any excess of the purchase price over the related fair value of net assets acquired is accounted for as goodwill. Under Brazilian GAAP, the goodwill associated with this tender offer amounted to R\$478.7, attributed to the projected future profitable operations of TCO, and is being amortized over a five-year period. For U.S. GAAP purposes, we applied the purchase method of accounting in accordance with SFAS No. 141. See Note 37d., Acquisition of TCO, to our audited consolidated financial statements for a description of the accounting for the acquisitions and the purchase price allocation that was used for purposes of calculating the U.S. GAAP pro forma adjustments.
- (2) Under Brazilian GAAP, the merger of shares of TCO with TCP and the merger of companies of TLE, TSD and Celular CRT into TCP will be accounted for based on TCO's, TLE's, TSD's and Celular CRT's book value of the assets acquired and the liabilities assumed.

Under U.S. GAAP, since TCP, TLE, TSD and Celular CRT are controlled by Brasilcel, the acquisition by TCP of Brasilcel's interests in TLE, TSD and Celular CRT is considered to be a reorganization of companies under common control and will be accounted for in a manner similar to a pooling of interest. Accordingly, the assets acquired and the liabilities assumed in such acquisitions, as they relate to the portion under common control by Brasilcel, will be accounted for based on the historical carrying values of the assets and liabilities, as reflected in the consolidated financial statements of Brasilcel in accordance with EITF No. 90-5, Exchanges of Ownership Interests between Entities under Common Control.

The historical book value of the concession intangibles and goodwill relating to the acquisitions of TLE, TSD and Celular CRT that were recorded by Brasilcel prior to January 1, 2003 have been pushed down into TCP's pro forma combined financial information as if the reorganization had occurred on January 1, 2003. The historical book values of these amounts on September 30, 2005 are as follows:

Concession intangibles	744.7
Goodwill	2,189.1
	<hr/>
Total	2,933.8
	<hr/>

The amount of goodwill recorded was amortized up to December 31, 2001 in accordance with SFAS 142, *Goodwill and Other Intangible Assets*. The concession intangibles are being amortized on a straight-line basis over the terms of the respective company's licenses, including one renewal period.

In October 2004, Brasilcel, either directly or through its wholly-owned subsidiaries, acquired additional interests of 22.7%, 4.2% and 15.8% in TLE, TSD and Celular CRT, respectively, for R\$116.9, R\$138.4 and R\$352.5, respectively, in public tender offers. For U.S. GAAP purposes, these acquisitions of minority interests were accounted for by Brasilcel using the purchase method of accounting in accordance with SFAS No. 141. The amounts recorded by Brasilcel relating to these acquisitions of minority interests have been pushed down into TCP's pro forma combined financial information as if the acquisitions had occurred on January 1, 2004.

Table of Contents**Telesp Celular Participações S.A.****Notes to Unaudited Pro Forma Combined Financial Information**(all amounts in millions of *reais*, except per share amounts)

The following table shows the estimated purchase price allocation that was used for purposes of calculating the U.S. GAAP pro forma adjustments:

	<u>TLE</u>	<u>TSD</u>	<u>Celular CRT</u>	<u>Total</u>
Amounts representing the historical net assets under U.S. GAAP of the minority interest acquired	34.1	44.9	67.0	146.0
Interest acquired	22.7%	4.2%	15.8%	
Fair value adjustments:				
Concession intangibles (a)	46.9	52.1	197.1	296.1
Customer list (b)	35.9	41.4	88.4	165.7
Purchase price	116.9	138.4	352.5	607.8

- (a) The concession intangibles are being amortized on a straight-line basis over the terms of the respective licenses, including one renewal period, being up to 2023, 2021 and 2022 for TLE, TSD and Celular CRT, respectively.
- (b) The customer lists are being amortized on a straight-line basis over a two-year period, representing the average customer life.

The portion of the interests acquired by TCP from minority interest holders unrelated to Brasilcel will be accounted for using the purchase method of accounting in accordance with SFAS No. 141. To determine the purchase price paid by TCP for the acquisition of shareholders unrelated to Brasilcel, we have used the number of shares to be issued by TCP based on the exchange ratios disclosed above in this Part Five: The Merger and the average market price of TCP's common and preferred shares four days before December 2, 2005, the last trading day before announcement of the merger, and four days after the announcement of the merger on December 5, 2005. The following table shows the estimated purchase price allocation that was used for purposes of calculating the U.S. GAAP pro forma adjustments:

	<u>TCO</u>	<u>TLE</u>	<u>TSD</u>	<u>Celular CRT</u>	<u>Total</u>
Amounts representing the historical net assets under U.S. GAAP of the minority interest acquired	1,090.1	160.7	183.8	400.1	1,834.7
Interest acquired	47.5%	49.3%	8.9%	32.6%	
Fair value adjustments:					
Concession (a)	163.8			122.2	286.0
Customer list (b)	292.5		17.8	138.9	449.2
Property, plant and equipment (c)	107.0	(2.3)	25.6	(4.5)	125.8
Purchase price (d)	1,653.4	158.4	227.2	656.7	2,695.7

- (a) The concession intangibles are being amortized on a straight-line basis over the terms of the respective licenses, including one renewal period, being up to 2020 for TCO and 2022 for Celular CRT.
- (b) The customer lists are being amortized on a straight-line basis over a two-year period, representing the average customer life.
- (c) The property, plant and equipment fair value adjustments are being amortized over a period of two years for TLE, TSD and Celular CRT and three years for TCO, which represents the weighted average remaining useful life of the related assets.

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- (d) The purchase price was determined by applying the average market price of R\$7.8388 per common share of TCP for 12,862.1, 4,118.4, 10,486.8 and 9,571.7 common shares of TCO, TLE, TSD and Celular CRT, respectively, and R\$8.7351 per preferred share of TCP for 177,738.8, 14,434.2, 16,607.0 and 66,591.4 preferred shares of TCO, TLE, TSD and Celular CRT, respectively, held by shareholders unrelated to Brasilcel. See above in this Part Five: The Merger.

Table of Contents**PART SIX SHAREHOLDER RIGHTS****General**

TCP, TCO, TLE, TSD and Celular CRT are all incorporated in the Federative Republic of Brazil. If you hold common or preferred shares of TCO, TLE, TSD or Celular CRT, your rights as a holder of securities of those companies are governed by Brazilian law and the bylaws (*estatutos sociais*) of the applicable company. If you hold common or preferred shares of TCO, TLE, TSD or Celular CRT, your rights as a holder of TCP securities after the merger will be governed by Brazilian law and the bylaws of TCP. You should read the bylaws of TCP and TCO, TLE, TSD or Celular CRT, copies of which are filed as exhibits to the registration statement of which this prospectus is a part, and that are incorporated by reference into this prospectus.

There are no material differences between the rights of common shareholders of TCP and those of common shareholders of TCO, TLE, TSD or Celular CRT. The following table highlights certain differences in the voting rights and dividend rights of preferred shares of TCO, TSD, TLE and Celular CRT compared to preferred shares of TCP.

Voting Rights and Dividend Rights of Preferred Shares**Differences in Comparison to TCP**

	TCP	TCO	TLE	TSD	Celular CRT
Calculation of Dividend Preference for Preferred Shares (1)	Preferred shareholders are entitled to a preference equal to the greater of: 6% of subscribed capital per share; and 3% of shareholders equity per share.	Preferred shareholders are entitled to a preference equal to the greater of: 6% of subscribed capital per share; and 3% of shareholders equity per share.	Preferred shareholders are entitled to a preference equal to the greater of: 6% of subscribed capital per share; and 10% more dividends than paid to common shareholders.	Preferred shareholders are entitled to receive 10% more dividends than paid to common shareholders.	Preferred shareholders are entitled to a preference equal to the greater of: 6% of subscribed capital per share; and 10% more dividends than paid to common shareholders.
Voting Rights of Preferred Shares	Preferred shareholders have the right to vote on agreements with related parties that are on terms more onerous to the company than customary in the market.	Preferred shareholders have the right to vote on agreements with related parties that are on terms more onerous to the company than customary in the market.	Preferred shareholders have the right to vote on long-term agreements with related parties, except when the contracts contain standard contract provisions.	Preferred shareholders have the right to vote on long-term agreements with related parties, except when the contracts contain standard contract provisions.	Preferred shareholders do not have specific voting rights.

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Preferred
shareholders have the
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amendment or
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revocation of certain
bylaw provisions.

Preferred
shareholders currently
have full voting rights
due to nonpayment of
dividends by TCP. (2)

Preferred
shareholders
currently have full
voting rights due to
nonpayment of
dividends by TLE.
(3)

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- (1) This preference refers to a preference for preferred shareholders in the payment of mandatory minimum dividends pursuant to the Brazilian corporation law. See, for example Description of TCP Capital Stock--Allocations of Profits.
- (2) See Information About Historical Dividend Payments TCP.
- (3) See Information About Historical Dividend Payments TLE.

If you hold ADSs of TCO, TLE or TSD, your rights are governed by the applicable ADR deposit agreement rather than by Brazilian law and the bylaws of the company, and your rights as a holder of TCP ADSs after the merger will be governed by TCP's ADR deposit agreement. See Description of American Depositary Shares below

As of December 4, 2005, TCP's capital stock consisted of 662,324,342 outstanding shares, no par value, divided between 250,457,704 common shares and 411,866,638 preferred shares.

As of December 4, 2005:

TCO's capital stock consisted of 130,068,158 outstanding shares, no par value, divided between 44,332,722 common shares and 85,735,436 preferred shares;

TLE's capital stock consisted of 9,644,278 outstanding shares, no par value, divided between 3,376,560 common shares and 6,267,718 preferred shares;

TSD's capital stock consisted of 91,831,224 outstanding shares, no par value, divided between 39,916,217 common shares and 51,915,007 preferred shares; and

Celular CRT's capital stock consisted of 32,641,400 outstanding shares (excluding treasury shares), no par value, divided between 14,439,063 common shares and 18,202,337 preferred shares (excluding 639,444 preferred shares held in treasury that will be transferred to TCP in the merger).

Information About Historical Dividend Payments

For a summary of TCP's, Celular CRT's, TCO's, TLE's and TSD's payments of dividends and interest on shareholders' equity for the years 2002, 2003, 2004 and 2005 see Part Five: The Merger Comparative Share and Dividend Information Dividend Information.

TCP

We pay our shareholders both dividends and interest on shareholders' equity. Interest on shareholders' equity (*juros sobre capital proprio*) is a form of distribution that is tax deductible in Brazil. We did not pay dividends or interest on shareholders' equity for the years ended December 31, 2001, 2002, 2003 and 2004 because of negative net income from equity in Global Telecom and the financial cost related to the Global Telecom and TCO acquisitions.

Our bylaws state that holders of preferred shares will have full voting rights in the event that we do not pay minimum dividends to those shareholders for three consecutive fiscal years, and those shareholders will retain those voting rights until we again pay minimum dividends. As from the annual meeting held on March 27, 2004, holders of preferred shares began to have full voting rights since minimum dividends to preferred shares during the last three consecutive years have not been paid. Holders of preferred shares will be able to exercise voting rights until we again pay minimum dividends.

TCO

TCO pays its shareholders both dividends and interest on shareholders' equity. In 2002 and 2003, TCO paid only interest on shareholders' equity. In 2004 TCO paid both dividends and interest on shareholders' equity. In 2005 TCO declared both dividends and interest on shareholders' equity.

TLE

TLE pays its shareholders both dividends and interest on shareholders' equity. TLE recognized losses in 2002, 2003 and 2004. Therefore, no dividends or interest on equity were paid in this period.

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TLE's bylaws state that holders of preferred shares will have full voting rights in the event that TLE does not pay minimum dividends to those shareholders for three consecutive fiscal years, and those shareholders will retain those voting rights until TLE again pays minimum dividends. As from the annual meeting held on March 28, 2005, holders of preferred shares began to have full voting rights since minimum dividends to preferred shares during the last three consecutive years have not been paid. Holders of preferred shares will be able to exercise voting rights until TLE again pays minimum dividends.

TSD

TSD pays its shareholders both dividends and interest on shareholders' equity. In 2002, 2003 and 2004 TSD paid both dividends and interest on shareholders' equity. In 2005 TSD declared interest on shareholders' equity.

Celular CRT

Celular CRT pays its shareholders both dividends and interest on shareholders' equity. In 2002 Celular CRT paid both dividends and interest on shareholders' equity. In 2003 and 2004 Celular CRT paid only interest on shareholders' equity. In 2005 Celular CRT declared both dividends and interest on shareholders' equity.

Description of TCP Capital Stock

Set forth below are the material terms of the capital stock of TCP and brief summaries of certain provisions of TCP's bylaws and the Brazilian corporation law.

Objectives and Purposes

We are a publicly traded company registered with the Brazilian securities exchange commission under No. 01771-0. Article 2 of our bylaws provides that our corporate purpose is to:

exercise the control of operating companies (such as TCO, TSD, TLE and Celular CRT) which provide cellular mobile telecommunications services, personal mobile services and other services in conformity with the concessions, authorizations and permissions that have been granted to us;

promote, through our subsidiaries or controlled companies that operate under the VIVO brand, the expansion and implementation of the telecommunications services within our concessions, authorizations and permissions;

promote, carry out and direct the financing of capital from internal or external sources to be used by us or our controlled companies;

promote, carry out and encourage study and research activities aimed at the development of the telecommunications sector;

perform, through our subsidiaries and affiliated companies, specialized technical services related to the telecommunications sector;

promote, encourage, carry out and coordinate, through our subsidiaries or controlled companies, the development and training of personnel necessary to perform activities in the telecommunications sector;

carry out and promote the import of goods and services for the operations of our subsidiaries and controlled companies;

execute other activities connected or related to our objective;

participate in the equity capital of other companies; and

trade equipment and materials necessary or useful for providing telecommunications services.

Directors

The following is a description of some of the provisions of our bylaws concerning our board of directors:

The board of directors has the power to approve investments and acquisition of assets, assume any obligation and execute contracts not included in the budget for an amount exceeding R\$300 million, the

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public issuance of promissory notes, and the acquisition of our shares for cancellation or deposit with a custodian; and

The board of directors has the power to allocate between the directors and the executive officers the total remuneration for directors and executive officers determined at a shareholders' meeting.

Pursuant to the Brazilian corporation law, each member of the board of directors must hold at least one share of our capital stock to be elected as a director. Members of the board of directors generally stand for reelection at the same shareholders' meeting. There are no provisions in our by-laws with respect to:

age limits for retirement of directors; or

anti-takeover mechanisms or other procedures designed to delay, defer or prevent changes in our control.

Although there are no provisions in our bylaws, the Brazilian corporation law prohibits directors from:

performing any act of generosity using corporate assets to the detriment of the corporation;

by virtue of his position, receiving any type of direct, or indirect, personal advantage from third parties, without authorization in the bylaws or from a general meeting; and

taking part in any corporate transaction in which he has an interest that conflicts with an interest of the corporation, nor in the decisions made by the other directors on the matter.

Allocations of Profits

At each annual shareholders' meeting, the board of directors is required to recommend how net profits for the preceding fiscal year are to be allocated. Under the Brazilian corporation law, this allocation may be made among (a) dividends and (b) profits reserves.

For the purposes of the Brazilian corporation law, net profits are defined as net income after income tax and social contribution for the relevant fiscal year, net of any accumulated losses from prior fiscal years and any amounts allocated to employees' and management's participation in a company's profits.

Dividends

Mandatory Dividends. Under the Brazilian corporation law and TCP's bylaws, TCP is required to distribute to all shareholders as a non-cumulative mandatory dividend an amount equal to 25% of adjusted net income. For this purpose, adjusted net income is an amount equal

to net profits adjusted to reflect allocations to and from:

the legal reserve;

the contingency reserve; and

the unrealized profits reserve.

Allocation of the Mandatory Dividends. In the allocation of any mandatory dividend, preferred shareholders are entitled with preference to receive a non-cumulative annual dividend, equal to the higher of (i) 6% of the amount obtained by dividing the amount of subscribed capital by the number of TCP's shares or (ii) 3% of the amount obtained by dividing shareholders' equity by the number of TCP's outstanding shares.

In case the amount of mandatory dividends is greater than preferred dividends, after the payment of preferred dividends, the excess will be allocated first as dividend payments to holders of common shares in an amount equal to the preferred dividend received by the preferred shareholders, and the remainder will be distributed equally among holders of preferred and common shares.

In case the amount of mandatory dividends is less than the preferred dividends, the mandatory dividends will be fully allocated as preferred dividends and TCP will not be obligated to distribute any mandatory dividends to common shareholders. In this case, TCP must pay preferred dividends out of accumulated profits and other profits reserves, if available.

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Dividends relating to net profits remaining after allocations to mandatory dividends and profits reserves. Under the Brazilian corporation law, any net profits remaining after allocations to mandatory dividends and profits reserves (as described below) must be distributed to preferred and common shareholders, observing the same preference described above in connection with mandatory dividends.

Profits Reserves

The Brazilian corporation law requires the allocation of 5% of the net profits to a statutory reserve (legal reserve), not to exceed 20% of the company's paid-in capital, which may be used to absorb accumulated losses or increase capital. Other allocations may be made on a discretionary basis by the shareholders to the following reserves:

a contingency reserve, for an anticipated loss that is deemed probable in future years (provided that any amounts so allocated in a previous year must be reversed in the fiscal year in which such loss does not occur or charged off in the event the loss occurs);

an unrealized profits reserve, in an amount equal to the excess between mandatory dividends and the sum of the share of net equity earnings of affiliated companies and profits, gains and earnings in sales and services to be received after the end of the next succeeding fiscal year;

bylaws reserve, in the amount set forth in the bylaws (currently, TCP bylaws do not provide for such type of reserve); and

a retained profits reserve, for plant expansion and other capital investment projects, in an amount based on a capital expenditure budget previously approved by the shareholders (provided that if the budget is for a term greater than one year, it must be reviewed annually by the shareholders until the investment is completed).

Restrictions on the Distributions of Dividends and Allocations to Profits Reserves

Restrictions on Distributions of Dividends. TCP is permitted to suspend the payment of a mandatory dividend in respect of common shares if:

its board of directors reports to the annual shareholders' meeting that the distribution would be incompatible with the financial circumstances of that company; and

the shareholders (after reviewing the opinion of the auditors' council) ratify this conclusion at the shareholders' meeting.

In this case:

the management must forward to the CVM, within five days of the shareholders' meeting, an explanation for the suspension of the payment of the mandatory dividends; and

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the amounts not distributed would be recorded as a special reserve and, if not absorbed by losses in subsequent fiscal years, be distributed as dividends as soon as the financial condition of the company permitted.

Restrictions on the Allocations to Profits Reserves. Under the Brazilian corporation law, allocations to the bylaws reserve and retained profits reserve may not hinder the payment of mandatory dividends. In addition, any excess of the sum of the profits reserves (other than contingency reserves and unrealized profits reserves) over total capital must be distributed as dividends.

The amounts available for distribution are determined on the basis of financial statements prepared in accordance with Brazilian accounting principles.

Payment of Dividends

TCP is required by the Brazilian corporation law and its bylaws to hold an annual shareholders meeting by April 30 of each year, at which an annual dividend may be declared by a decision of TCP's shareholders on the

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recommendation of its board of directors. The payment of annual dividends in any given year is based on the financial statements prepared for the preceding fiscal year ending December 31. Under Brazilian corporation law, dividends must be paid on the date determined at a shareholders meeting or, in the absence of such determination, within 60 days as of the annual meeting date (and in any event within the same fiscal year in which such dividend was declared). A shareholder has a three-year period from the dividend payment date to claim dividends in respect of its shares, after which time unclaimed dividends revert to the company. Dividends are credited to the holder of record of TCP shares.

Voting Rights

Common Shareholders

Each TCP common share entitles the holder to one vote at shareholders meetings. TCP's preferred shares ordinarily do not entitle their holders to vote except in the limited circumstances described below. Under the Brazilian corporation law, a shareholders meeting is required in order to:

amend the bylaws (including Article 136 Meetings, as defined below);

elect or discharge corporate officers and auditors at any time;

review the yearly accounts drawn up by the corporation's officers and to decide on the financial statements presented by them;

authorize the issuance of debentures, except for debentures that are not convertible into shares and without guarantee;

suspend the rights of a shareholder;

approve the appraisal of assets contributed as capital by shareholders;

effect the corporation's transformation, consolidation, incorporation and divestment, its dissolution and liquidation, to elect and discharge its liquidators, and to examine the liquidators' accounts; and

authorize the officers to file for bankruptcy or request reorganization.

In the case of urgency, the filing for bankruptcy or the request for reorganization may be made by the officers, as agreed with the majority shareholder, if any, which officers must subsequently call a general meeting in order to vote on the matter. Such a meeting would be called by publication of a notice in the official gazette of the state of São Paulo and another Brazilian gazette determined by the shareholders at least 30 days prior to the meeting, but would not generally require any other form of notice.

Preferred Shareholders

Under the Brazilian corporation law, TCP's preferred shares acquire full voting rights in the event the company fails for three consecutive fiscal years to pay the mandatory minimum dividend, and those voting rights will continue until such payment is made. In addition, in case minority preferred shareholders hold more than 10% of TCP's total capital (or if they reach such percentage when added to the minority common shareholders, in case neither such preferred shareholders hold 10% of the total capital stock nor such common shareholders hold 15% of the total common shares on their own), such shareholders may appoint one board member and one alternate. In addition, minority preferred shareholders may appoint one audit council member (and one alternate). In case minority common shareholders hold more than 10% of TCP's voting capital, such common shareholders may appoint one audit council member (and one alternate).

Because TCP did not pay the mandatory minimum dividends for the years ended December 31, 2001, 2002, 2003, as from the annual meeting held on March 27, 2004, holders of preferred shares began to have full voting rights. Holders of preferred shares will be able to exercise voting rights until TCP again pays minimum dividends. Once TCP again pays minimum dividends, those voting rights will cease.

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Under the bylaws of TCP, preferred shareholders are entitled (a) to vote at any meeting to approve any long term agreement between TCP and its controlled entities, on the one side, and TCP's controlling shareholders and their affiliates (or entities related to TCP) on the other, except in case the agreement contains standard provisions and (b) to vote at any meeting to approve any changes to the bylaws that would revoke such voting rights (and TCP's bylaws provisions that require that an equitable treatment be confirmed by a third-party appraiser in any corporate reorganization transaction involving TCP and a controlled entity and a 30-day call notice be delivered with respect to any Article 136 Meeting (as defined below). In any circumstances in which holders of TCP's preferred shares are entitled to vote, each preferred share will entitle its holder to one vote.

Meetings of Shareholders

Under the Brazilian corporation law, notice of a general or extraordinary shareholders' meeting must be published in the state's official gazette and another gazette determined by the shareholders at least 15 days before the scheduled date of the meeting (other than in the case of Article 136 Meetings, which require a 30-day advance notice).

According to the Brazilian corporation law, a general meeting of shareholders is necessary in order to change the rights of the holders of stock, except that a shareholder may not be deprived of the following rights, whether through a change in the bylaws or a shareholders' meeting:

the right to participate in corporate profits;

the right to participate in the assets of the corporation in the case of liquidation;

the right to supervise the management of the corporate business as provided for in the Brazilian corporation law;

the right of first refusal in the subscription of shares, founders' shares convertible into shares, debentures convertible into shares and subscription bonuses; and

the right to withdraw from the corporation as provided in the Brazilian corporation law.

Article 136 Meetings are required to:

change the preferences, advantages and conditions for the redemption or amortization of one or more classes of preferred shares or to create a more favored class;

reduce the minimum dividend;

approve the merger, amalgamation or spin-off of TCP;

participate in a group of companies;

change the company's corporate purpose; and

suspend the liquidation of the company or in case of dissolution of the company.

On the first call, a meeting may be held only with a minimum quorum of one-fourth of the holders of voting shares. Extraordinary meetings whose objective is the amendment of the bylaws may be held on the first call only with minimum of two-thirds of the voting capital present. In addition, some decisions require the approval of a qualified quorum of at least one-half of the holders of voting shares.

If the quorum is not met on the first call, a second notice must be published at least eight days before the second meeting date (other than in the case of an Article 136 Meeting, which second notice must be published at least ten days prior to the second meeting). On a second call, a meeting may be held regardless of the number of voting shares represented.

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The holders attending a general meeting must produce proof of their shareholder status, in accordance with the following rules:

upon request, an owner of a registered share must exhibit a document proving his or her identity; and

as a rule, an owner of a book entry share or of a share in custody must exhibit or deposit at the corporation, in addition to a document proving his identity, the corresponding proof produced by the financial institution.

A shareholder may be represented at a general meeting by a proxy appointed less than one year before, which must be a shareholder, a corporation officer, a lawyer or a financial institution. An investment fund must be represented by its investment fund officer.

Preemptive Rights

Each TCP shareholder has a general preemptive right to subscribe for shares in any capital increase in proportion to its holdings (other than in public issuance of shares or exchange offers for the acquisition of control of other companies). In the specific case of preferred shareholders, they will not have preemptive rights in connection with issuances of common shares by TCP in order to reduce the minimum number of non-voting shares to 50% of the total number of issued shares. When applicable, shareholders are given a minimum period of 30 days following the publication of a notice of a capital increase to exercise that right.

In the event of a capital increase that would maintain or increase the proportion of capital represented by TCP's preferred shares, holders of preferred shares would have preemptive rights to subscribe only for newly issued preferred shares. In the event of a capital increase that would reduce the proportion of capital represented by TCP's preferred shares, holders of preferred shares would have preemptive rights to subscribe for preferred shares in proportion to their holdings and to TCP's common shares only to the extent necessary to prevent dilution of their interests, except as described in the preceding paragraph.

According to the Brazilian corporation law, shareholders must pay in full for the shares underwritten or acquired pursuant to the exercise of preemptive rights. Shareholders are not liable for future capital calls by TCP.

Redemption Rights

Under Brazilian corporation law, a dissenting shareholder (including a preferred or a common share-holder) may seek redemption of its shares if TCP's general shareholders' meeting decides to:

create a new class of preferred shares with rights superior to those of existing classes;

change any right the preferred shares carry, including their amortization or redemption rights (appraisal rights in this case are limited to the holders of shares of a class whose rights are negatively impacted by such change);

reduce the mandatory dividends;

change TCP's corporate purpose;

approve (1) a merger (*incorporação de ações*) involving TCP, (2) a merger of TCP with and into another company, (3) an amalgamation of TCP with another company, (4) the acquisition of another company at a price that exceeds certain limits set forth in Brazilian corporation law, or (5) the participation in a group of companies, in each case provided that certain liquidity and dispersion standards are not met according to the Brazilian corporation law; and

approve a spin-off of TCP, if in connection with such transaction there is a reduction of minimum dividends, the company becomes part of a group of companies, or there is a change in the company's corporate purposes (in this last case, except in case the entity receiving the company's assets has a substantially identical corporate purpose).

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The right to redemption lapses 30 days after publication of the minutes of the relevant extraordinary general shareholders' meeting or, if the resolution requires the approval of the majority of TCP's preferred shares affected by the resolution in a special meeting within 30 days from the publication of the minutes of that special meeting. TCP would be entitled to reconsider any action giving rise to redemption rights within ten days after the expiration of those rights if the redemption of shares of dissenting shareholders would jeopardize its financial stability.

TCP's shares are redeemable at their book value, determined on the basis of the last annual balance sheet approved by the shareholders. If the shareholders' meeting giving rise to redemption rights occurs more than 60 days after the date of the last annual balance sheet, a shareholder may demand that its shares be valued on the basis of a new balance sheet that is as of a date within 60 days of that shareholders' meeting.

Rights to Share in the Event of Liquidation

A general meeting of shareholders may decide that, before completing any liquidation of TCP and after all creditors have been paid, TCP's assets will be distributed to the shareholders as such assets are ascertained.

Form and Transfer

TCP's shares are maintained in book-entry form with a custodian and transfer agent, Banco ABN AMRO Real, and the transfer of shares is effected by an entry made by the transfer agent on its books, debiting the share account of the seller and crediting the share account of the purchaser against presentation of a written order of the seller or judicial authorization or order in an appropriate document that remains in the possession of the transfer agent.

Transfers of shares by a foreign investor are made in the same way and executed by such investor's local agent on the investor's behalf, except that if the original investment was registered with the *Banco Central do Brasil*, or the Central Bank, under Brazilian regulations governing foreign investment in capital markets, the foreign investor should also seek amendment, if necessary, of the appropriate electronic registration through its local agent to reflect the new ownership.

The São Paulo Stock Exchange operates a central clearing system in which participating institutions have accounts. All shares placed into the system will be deposited in custody with the relevant stock exchange through a Brazilian institution authorized to operate by the Central Bank and having a clearing account with the relevant stock exchange. The fact that the shares are subject to custody with the relevant stock exchange will be reflected in the register of shareholders. Each participating shareholder will, in turn, be registered in the register of the beneficial shareholders to be maintained by the relevant stock exchange and will be treated in the same way as a registered shareholder.

Exchange Controls and Central Bank Registration

There are no restrictions on ownership or voting of preferred shares or common shares by individuals or legal entities domiciled outside of Brazil (other than, in the case of common shares, if they constitute a control stake of TCP).

The right to convert dividend or interest payments and proceeds from the sale of shares into foreign currency and to remit such amounts outside Brazil is subject to restrictions under foreign investment legislation that generally requires, among other things, that the relevant investments have been registered with the Central Bank and the CVM. These restrictions on the remittance of foreign capital abroad may hinder or prevent the holders of TCP's shares, including the preferred shares underlying TCP's ADSs, from converting dividends, distributions or the proceeds from any sale of these shares into U.S. dollars and remitting the U.S. dollars abroad. A non-Brazilian holder of shares may experience delays in effecting Central Bank registration, which may delay remittances abroad. This delay may adversely affect the amount in U.S. dollars received by the non-Brazilian holder.

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There are three different mechanisms for effecting Central Bank registration, one that applies to holders of ADSs and two that apply to direct holders of TCP shares.

ADSs. The ADSs benefit from the certificate of foreign capital registration that permits The Bank of New York, as depositary, to convert dividends and other distributions with respect to preferred shares into foreign currency and to remit the proceeds abroad. Holders of ADSs who exchange their ADSs for preferred shares will then be entitled to rely on the depositary's certificate of foreign capital registration for five business days from the date of exchange. Thereafter, they will not be able to remit non-Brazilian currency abroad unless they obtain the appropriate registration, either under Resolution 2,689 of the National Monetary Council and CVM Instruction 325, both as amended, or under Law No. 4,131/62, as described below.

Resolution 2,689. Investors residing outside Brazil, including institutional investors, are authorized to buy and sell equity instruments, including TCP shares, traded publicly in Brazil under Resolution 2,689 of the National Monetary Council and Instruction CVM 325. With certain limited exceptions, Resolution 2,689 investors are permitted to carry out any type of transaction in the Brazilian financial capital markets involving a security traded on a stock, future or organized over-the-counter market. Investments and remittances are made through the commercial rate exchange market. In order to become a Resolution 2,689 investor, an investor residing outside Brazil must appoint a representative in Brazil with powers to take actions relating to the investment, appoint an authorized custodian in Brazil for the investments, which must be a financial institution duly authorized by the Central Bank and the CVM and through its representative, register itself with the CVM and the investment with the Central Bank. If the holder is not registered under Resolution 2,689, it may be subject to a less favorable tax treatment. See Part Five: The Merger Material Tax Considerations Brazilian Tax Considerations.

Law No. 4,131/62. Direct investors residing outside Brazil may also request registration with the Central Bank under Law No. 4,131/62, which is used by certain investors who do not wish to trade their shares publicly. Registration under Law No. 4,131/62 of preferred shares that have been previously withdrawn from TCP's ADS program is subject to the approval of the Central Bank.

Under current Brazilian legislation, the federal government may impose temporary restrictions on remittances of foreign capital abroad in the event of a serious imbalance or an anticipated serious imbalance of Brazil's balance of payments. For approximately six months in 1989 and early 1990, the federal government froze all dividend and capital repatriations held by the Central Bank that were owed to foreign equity investors, in order to conserve Brazil's foreign currency reserves. These amounts were subsequently released in accordance with federal government directives. The federal government may impose similar restrictions on foreign repatriations in the future.

The legislation and regulations described in this section Exchange Controls and Central Bank Registration are the same as those that apply to TCO, TLE, TSD and Celular CRT securities.

Description of American Depositary Shares

Important Note: Celular CRT does not have an ADS program, and no holder of Celular CRT common shares or preferred shares will receive TCP ADSs.

Description of American Depositary Receipts in Respect of Preferred Shares

The following is a summary of the material provisions of the deposit agreement among TCP, the depositary, and the registered holders and beneficial owners from time to time of ADSs, pursuant to which the ADSs representing preferred shares are to be issued. This summary is subject to and qualified in its entirety by reference to the deposit agreement, including the form of ADRs attached thereto. The deposit agreement is an exhibit to this registration statement of which this prospectus is a part. Copies of the deposit agreement are available for inspection at the Corporate Trust Office of the depositary, currently located at 101 Barclay Street,

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New York, NY 10286, and at the office of the custodian, Banco Itau S.A., currently located at Av. Engenheiro Armando de Arruda Pereira 707 9 andar Torre Eldoro Villela Jabaquara CEP 04344-902, São Paulo, Brazil, Attention: Superintendência de Serviços para o Mercado de Capitais. The depositary's principal executive office is located at One Wall Street, New York, NY 10286.

American Depositary Receipts

ADRs evidencing ADSs are issuable under the deposit agreement. Each ADR is in registered form and evidences a specified number of ADS, each ADS representing 1 (one) preferred share, deposited with the custodian and registered in the name of the depositary or its nominee. We refer to those preferred shares, together with any additional preferred shares at any time deposited or deemed deposited under the deposit agreement and any and all other securities, cash and other property received by the depositary or the custodian in respect of those preferred shares and at such time held under the deposit agreement as the deposited securities. Only persons in whose names ADRs are registered on the books of the depositary are treated by the depositary as the owners of the ADRs.

Deposit, Transfer and Withdrawal

The bylaws of TCP provide that ownership of capital generally is evidenced only by a record of ownership maintained by TCP or an accredited intermediary, such as a bank, acting as a registrar for the shares. Currently, this function is performed by ABN Amro Real S.A. as registrar. Accordingly, all references to the deposit and delivery of the preferred shares refer only to book-entry transfers of the preferred shares in Brazil. All references to the deposit, surrender and delivery of the ADSs or the ADRs refer not only to the physical transfer of any certificates evidencing those ADSs but also to any book-entry transfers.

The preferred shares represented by ADSs were deposited pursuant to the deposit agreement by book-entry transfer to an account of the custodian and registered in the name of the custodian. The depositary is the holder of record on the books of the custodian of all those preferred shares.

The depositary has agreed, subject to the terms and conditions of the deposit agreement, that upon delivery (including by book-entry credit) to the custodian of the preferred shares (or evidence of rights to receive preferred shares) pursuant to appropriate instruments of transfer in a form satisfactory to the custodian and upon payment of the fees, charges and taxes provided in the deposit agreement, the depositary will execute and deliver at its Corporate Trust Office to, or upon the written order of, the person or persons named in the notice of the custodian delivered to the depositary or requested by the person depositing those preferred shares with the depositary, an ADR or ADRs registered in the name or names of such person or persons and evidencing any authorized number of ADSs requested by such person or persons.

Upon surrender at the Corporate Trust Office of the depositary of an ADR for the purpose of withdrawal of the deposited securities represented by the ADSs evidenced by that ADR and upon payment of the fees of the depositary, governmental charges and taxes provided in the deposit agreement, and subject to the terms and conditions of the deposit agreement, the bylaws of TCP, the deposited securities and applicable law, the owner of that ADR will be entitled to book-entry credit with the registrar together with physical delivery, to the owner or upon the owner's order, as permitted by applicable law, of the amount of deposited securities at the time represented by the ADSs evidenced by that ADR. Any forwarding of share certificates, other securities, property, cash and other documents of title to the owner will be at the risk and expense of the owner.

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Subject to the terms and conditions of the deposit agreement and any limitations that may be established by the depositary and unless requested by TCP to cease doing so, the depositary may execute and deliver ADRs before receipt of preferred shares (which we refer to as a pre-release), may deliver those preferred shares upon receipt and cancellation of ADRs that have been pre-released, whether or not the cancellation is before the termination of that pre-release or the depositary knows that the ADR has been pre-released, and may receive ADRs in lieu of preferred shares in satisfaction of a pre-release.

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Each pre-release must be:

preceded or accompanied by a written representation and agreement from the person to whom the ADRs are to be delivered that the pre-release or its customer (1) owns the preferred shares or ADRs to be remitted, (2) assigns all beneficial right, title and interest in those preferred shares or ADRs to the depositary for the benefit of the owners and (3) agrees to hold those preferred shares or ADRs for the account of the depositary until their delivery upon the depositary's request;

at all times fully collateralized with cash or U.S. government securities;

terminable by the depositary on not more than five business days' notice; and

subject to such further indemnities and credit regulations as the depositary deems appropriate.

The depositary will set limits on pre-release transactions to be entered into hereunder with any particular person on a case by case basis as the depositary deems appropriate. The collateral referred to in the second bullet point above will be held by the depositary for the benefit of the owner as security for the performance of the person to whom ADRs are to be delivered of its obligations to the depositary in connection with a pre-release transaction, including that person's obligation to deliver preferred shares or ADRs upon termination of a pre-release transaction.

The depositary will also limit the number of ADRs involved in pre-release transactions so that preferred shares not deposited but represented by ADSs outstanding at any time as a result of pre-releases will not exceed 30% of the ADSs outstanding (without giving effect to ADSs evidenced by ADRs outstanding as a result of the pre-release), but the depositary reserves the right to disregard that limit from time to time as it deems appropriate and may, with the prior written consent of TCP, change that limit for purposes of general application. The depositary may retain for its own account any compensation received by it in connection with the foregoing. Neither TCP nor the custodian will incur any liability to owners of ADRs as a result of these transactions.

Dividends, Other Distributions and Rights

The depositary is required to convert into U.S. dollars, as promptly as practicable and, in any event, within one business day of receipt, all cash dividends or other distributions, net proceeds from the sale of securities, property or rights denominated in any currency other than U.S. dollars that it receives in respect of the deposited securities if permitted under applicable laws and the depositary determines that the conversion into U.S. dollars and transfer to the United States can be effected on a reasonable basis. If at the time of conversion, the resulting U.S. dollars can, pursuant to applicable law, be transferred out of Brazil for distribution, the depositary will as promptly as practicable distribute the amount received to the owner entitled thereto in proportion to the number of ADSs evidenced by that owner's ADRs without regard to any distinctions among owners on account of exchange restrictions or otherwise. The amount distributed will be reduced by any amounts to be withheld by TCP, the depositary or the custodian, including amounts on account of any applicable taxes and certain other expenses.

If conversion, transfer or distribution can be effected only with the approval or license of any government or agency thereof, the depositary will file as promptly as practicable an application for approval or license. However, the depositary will be entitled to rely upon Brazilian counsel in such matters, which counsel will be instructed to act as promptly as possible. If, pursuant to applicable law, any foreign currency received by the depositary or the custodian cannot be converted to U.S. dollars, or if any approval or license of any government or agency thereof that is required for the conversion is denied or, in the opinion of the depositary, cannot be promptly obtained at a reasonable cost, the depositary will, (1) as to the portion of the foreign currency that is convertible into U.S. dollars, make the conversion and, if permitted by applicable law, transfer

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the U.S. dollars to the United States and distribute them to the owners entitled thereto or, to the extent that the transfer is not permitted, hold such U.S. dollars for the benefit of the owners entitled thereto, uninvested and without liability for interest thereon and (2) as to the nonconvertible balance, if any, if requested in writing by an owner, distribute or cause the custodian to distribute the

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foreign currency (or an appropriate document evidencing the right to receive the foreign currency) received by the depositary or the custodian to that owner, and the depositary will hold or will cause the custodian to hold any amounts of nonconvertible foreign currency not distributed uninvested and without liability for the interest thereon for the respective accounts of the owners entitled to receive those amounts.

If TCP declares a dividend in, or free distribution of, additional preferred shares with respect to the preferred shares represented by the ADSs, the depositary may, or will if TCP so requests, distribute as promptly as practicable to the owners of outstanding ADRs entitled thereto, in proportion to the number of ADSs evidenced by their ADRs, additional ADRs evidencing an aggregate number of ADSs that represents the number of preferred shares received as that dividend or free distribution, subject to the terms and conditions of the deposit agreement including the withholding of any tax or other governmental charge and the payment of fees of the depositary.

The depositary may withhold any such distribution of ADRs if it has not received satisfactory assurances from TCP that the distribution does not require registration under the Securities Act or is exempt from registration under the provisions of the Securities Act. In lieu of delivering ADRs for fractional ADSs in the event of any dividend or free distribution, the depositary will sell the amount of preferred shares represented by the aggregate of those fractions and distribute the net proceeds in accordance with the deposit agreement. If additional ADRs are not so distributed, each ADSs will thereafter also represent the additional preferred shares distributed upon the deposited securities represented thereby.

If TCP offers, or causes to be offered, to the holders of preferred shares any rights to subscribe for additional preferred shares or any rights of any other nature, the depositary, after consultation with TCP, will have discretion as to the procedure to be followed in making such rights available to owners or in disposing of those rights for the benefit of the owners and making the net proceeds available to the owners. If, by the terms of that rights offering or for any other reason, it would be unlawful for the depositary to either make the rights available to any owners or dispose of the rights and make the net proceeds available to those owners, then the depositary will allow the rights to lapse. If at the time of the offering of any rights, the depositary determines in its discretion that it is lawful and feasible to make the rights available to all or certain owners, the depositary may, and at the request of TCP will, distribute to any owners to whom it determines the distribution to be lawful and feasible, in proportion to the number of ADSs held by those owners, warrants or other instruments therefor in such form as it deems appropriate.

If the depositary determines that it is not lawful or feasible to make such rights available to all or certain owners, it may, and at the request of TCP, will use its best efforts that are reasonable under the circumstances to sell the rights, warrants or other instruments in proportion to the number of ADSs held by the owners to whom it has determined it may not lawfully or feasibly make such rights available, and allocate the net proceeds of those sales for the account of those owners otherwise entitled to such rights, warrants or other instruments or an averaged or other practical basis without regard to any distinctions among the owners because of exchange restrictions or the date of delivery of any ADR or ADRs or otherwise. The depositary will not be responsible for any failure to determine that it may be lawful or feasible to make those rights available to owners in general or any owner or owners in particular.

In circumstances in which rights would not otherwise be distributed, if an owner requests the distribution of warrants or other instruments in order to exercise the rights allocable to the ADSs of that owner, the depositary will promptly make such rights available to that owner upon written notice from TCP to the depositary that (1) TCP has elected in its sole discretion to permit the rights to be exercised and (2) the owner has executed such documents as TCP has determined in its sole discretion are reasonably required under applicable law. Upon instruction pursuant to those warrants or other instruments to the depositary from that owner to exercise such rights, upon payment by that owner to the depositary for the account of the owner of an amount equal to the purchase price of the preferred shares to be received in exercise of the rights, and upon payment of the fees of the depositary as set forth in those warrants or other instruments, the depositary will, on behalf of that owner,

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exercise the rights and purchase the preferred shares, and TCP will cause the preferred shares so purchased to be delivered to the depositary on behalf of that owner. As agent for that owner, the depositary will cause the preferred shares so purchased to be deposited, and will execute and deliver ADRs to that owner pursuant to the deposit agreement. Such a disposal of rights may reduce the owners' proportionate equity interest in TCP.

The depositary will not offer rights to owners having an address of record in the United States unless a registration statement under the Securities Act is in effect with respect to those rights and the securities to which the rights relate or unless the offering and sale thereof to those owners are exempt from registration under the Securities Act. However, TCP will have no obligation to file a registration statement under the Securities Act to make available to owners any right to subscribe for or to purchase any of the securities.

Whenever the depositary receives any distribution other than cash, preferred shares or rights in respect of the deposited securities, the depositary will, as promptly as practicable, cause the securities or property received by it to be distributed to the owners entitled thereto, after deduction or upon payment of any fees and expenses of the depositary or any taxes or other governmental charges, in proportion to their holdings, respectively, in any manner that the depositary may deem equitable and practicable for accomplishing such distribution. However, if in the opinion of the depositary that distribution cannot be made proportionately among the owners entitled thereto, or if for any other reason (including, but not limited to, any requirement that TCP or the depositary withhold an amount on account of taxes or other governmental charges or that the securities must be registered under the Securities Act, in order to be distributed to owners) the depositary deems the distribution not to be feasible, the depositary may, after consultation with TCP, adopt such method as it may deem equitable and practicable for the purpose of effecting the distribution, including, but not limited to, the public or private sale of the securities or property received, or any part thereof, and the net proceeds of any such sale (net of the fees and expenses of the depositary) will be distributed by the depositary to the owners entitled thereto as in the case of a distribution received in cash.

In connection with any distribution to owners, TCP will remit to the appropriate governmental authority or agency all amounts (if any) required to be withheld by TCP and owing to that authority or agency by TCP; and the depositary and the custodian will remit to the appropriate governmental authority or agency all amounts (if any) required to be withheld and owing to such authority or agency by the depositary or custodian. If the depositary determines that any distribution of property other than cash (including preferred shares and rights to subscribe therefor) is subject to any tax or governmental charge that the depositary is obligated to withhold, the depositary may, by public or private sale, dispose of all or a portion of such property in the amounts and in manner as the depositary deems necessary and practicable to pay those taxes or governmental charges, and the depositary will distribute the net proceeds of any such sale or the balance of any such property after deduction of such taxes or governmental charges to the owners entitled thereto in proportion to the number of ADSs held by them, respectively.

Upon any change in nominal or par value, or split-up, consolidation or any other reclassification of deposited securities, or upon any recapitalization, reorganization, merger or consolidation or sale of assets affecting TCP or to which it is a party, any preferred shares or other securities that will be received by the depositary or the custodian in exchange for, in conversion of, or in respect of deposited securities will be treated as new deposited securities under the deposit agreement, and ADSs will thenceforth represent, in addition to the existing deposited securities, the right to receive the new deposited securities so received in exchange or conversion, unless additional ADRs are delivered pursuant to the following sentence. In any such case the depositary may, and will if TCP so requests, execute and deliver additional ADRs as in the case of a distribution in preferred shares, or call for the surrender of outstanding ADRs to be exchanged for new ADRs specifically describing the new deposited securities.

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Record Dates

Whenever any cash dividend or other cash distribution becomes payable, or whenever any distribution other than cash is made, or whenever rights are issued with respect to the deposited securities, or whenever for any reason the depositary causes a change in the number of preferred shares that are represented by each ADSs or whenever the depositary receives notice of any meeting of holders of preferred shares or other deposited securities, or whenever the depositary shall find it necessary or convenient, the depositary will fix a record date, which date shall, to the extent practicable, be either the same date as the record date fixed by TCP or, if different from the record date fixed by TCP, fixed after consultation with TCP, (1) for the determination of the owners who will be entitled to receive that dividend, distribution of rights or the net proceeds of the sale thereof or entitled to give instructions for the exercise of voting rights at any such meeting, or (2) on or after which such ADSs will represent the changed number of preferred shares, all subject to the provisions of the deposit agreement.

Voting of the Deposited Securities

Preferred shares do not entitle their holders to vote on any matter presented to a vote of shareholders of TCP except as set forth under

Description of TCP Capital Stock Voting Rights Preferred Share-holders, which subsection is hereby incorporated by reference herein. Under those circumstances and if, in the future, the terms of the preferred shares are revised or amended to provide for voting rights, or if the preferred shares obtain voting rights pursuant to the Brazilian corporation law or any change in any other laws, rules, or regulations applicable to those shares or through any change in interpretation of those laws, the following will apply.

As soon as practicable after receipt of notice of any meeting or solicitation of consents or proxies of holders of preferred shares or other deposited securities, if requested in writing by TCP, the depositary will mail to all owners a notice, the form of which notice will be in the sole discretion of the depositary, containing:

the information included in the notice of meeting received by the depositary from TCP (or a summary in English of the notice of the meeting);

a statement that the owners as of the close of business on a specified record date will be entitled, subject to any applicable provision of Brazilian law, the bylaws and the provisions of the deposited securities, to instruct the depositary as to the exercise of the voting rights, if any, pertaining to the preferred shares or other deposited securities represented by their respective ADSs; and

a statement as to the manner in which such instructions may be given, including an express indication that instructions may be given or deemed given in accordance with the last sentence of the next paragraph, if no instruction is received, to the depositary to give a discretionary proxy to a person designated by TCP.

Upon the written request of an owner on the record date received on or before the date established by the depositary for that purpose, the depositary will endeavor, insofar as practicable, to vote or cause to be voted the amount of preferred shares or other deposited securities represented by the ADSs evidenced by such ADRs in accordance with the instructions set forth in such request. The depositary may not itself exercise any voting discretion over any preferred shares. If the depositary does not receive instructions from an owner on or before the date established by the depositary for that purpose, the depositary will deem that owner to have instructed the depositary to give a discretionary proxy to a person designated by TCP to vote the underlying preferred shares, provided that no such discretionary proxy will be given with respect to any matter as to which TCP informs the depositary that (1) TCP does not wish such proxy given, (2) substantial opposition exists or (3) the rights of holders of preferred shares will be materially and adversely affected. Under Brazilian law, the depositary may vote the preferred shares or other deposited securities represented by ADSs and evidenced by ADRs in accordance with the instructions of the owners even if those

instructions differ among those owners.

Owners are not entitled to attend meetings of shareholders. An owner wishing to do so must cancel its ADRs and obtain delivery of the underlying shares, registered in the name of that owner, before the record date for attendance at the meeting.

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Reports and Other Communications

The depositary will make available for inspection by owners at its Corporate Trust Office any reports and communications, including any proxy soliciting materials, received from TCP, which are both (1) received by the depositary as the holder of the deposited securities and (2) made generally available to holders of those deposited securities by TCP. The depositary will also send to owners copies of those reports when furnished by TCP pursuant to the deposit agreement. Any reports and communications furnished to the depositary by TCP will be furnished in English to the extent that those materials are required to be translated into English pursuant to any regulations of the U.S. Securities and Exchange Commission, or the SEC.

Amendment and Termination of the Deposit Agreement

The form of the ADRs and any provision of the deposit agreement may at any time and from time to time be amended by agreement between TCP and the depositary in any respect that they may deem necessary or desirable. Any amendment that imposes or increases any fees or charges (other than taxes and other governmental charges, registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or that otherwise prejudices any substantial existing rights of owners, will not take effect as to the outstanding ADRs until the expiration of 30 days after notice of that amendment has been given to the owners of outstanding ADRs. Every owner and beneficial owner at the time that amendment becomes effective will be deemed, by continuing to hold that ADR, to consent and agree to the amendment and to be bound by the deposit agreement as amended thereby. In no event will any amendment impair the right of any owner to surrender its ADR and receive the preferred shares and other property represented thereby, except to comply with mandatory provisions of applicable law.

The depositary will at any time at the direction of TCP terminate the deposit agreement by mailing a notice of termination to the owners then outstanding at least 30 days before the date fixed in the notice for termination. The depositary may likewise terminate the deposit agreement by mailing a notice of termination to TCP and the owners, if at any time after 60 days have expired after the depositary has delivered written notice of its election to resign to TCP, a successor depositary has not been appointed and accepted its appointment in accordance with the terms of the deposit agreement. If any ADRs remain outstanding after the date of termination, the depositary thereafter will discontinue the registration of transfer of ADRs, will suspend the distribution of dividends to the holders thereof and will not give any further notices or perform any further acts under the deposit agreement, except for (1) the collection of dividends and other distributions pertaining to the deposited securities, (2) the sale of rights and other property and (3) the delivery of preferred shares, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any rights or other property, in exchange for surrendered ADRs (after deducting, in each case, the fees of the depositary for the surrender of an ADR and other expenses set forth in the deposit agreement and any applicable taxes or governmental charges).

At any time after the expiration of one year from the date of termination, the depositary may sell the deposited securities then held thereunder and hold uninvested the net proceeds of the sale, together with any other cash, unsegregated and without liability for interest, for the pro rata benefit of the owners that have not theretofore surrendered their ADRs. Those owners will then become general creditors of the depositary with respect to those net proceeds. After making such a sale, the depositary will be discharged from all obligations under the deposit agreement, except to account for net proceeds and other cash (after deducting, in each case, the fee of the depositary and other expenses set forth in the deposit agreement for the surrender of an ADR and any applicable taxes or other governmental charges) and certain indemnification obligations. Upon termination of the deposit agreement, TCP will also be discharged from all obligations thereunder, except for certain obligations to the depositary.

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Charges of Depositary

The depositary will charge (to the extent permitted by applicable law) any party depositing or withdrawing preferred shares or any party surrendering ADRs or to whom ADRs are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by TCP or an exchange of stock regarding the ADRs or deposited securities or a distribution of ADRs pursuant to the deposit agreement), whichever is applicable:

taxes and other governmental charges;

any registration fees that may from time to time be in effect for the registration of transfers of preferred shares generally on the register of TCP or the registrar and applicable to transfers of preferred shares to the name of the depositary or its nominee or the custodian or its nominee on the making of deposits or withdrawals under the deposit agreement;

cable, telex and facsimile transmission expenses expressly provided in the deposit agreement to be at the expense of owners or persons depositing preferred shares;

expenses incurred by the depositary in the conversion of foreign currency pursuant to the deposit agreement;

a fee not in excess of \$5.00 per 100 ADSs (or portion thereof) for the execution and delivery of ADRs pursuant to the deposit agreement and the surrender of ADRs pursuant to the deposit agreement;

a fee for the distribution of proceeds of sales of securities or rights pursuant to the deposit agreement.

The fee described in the last bullet point may be deducted from such proceeds and will be in an amount equal to the lesser of (1) the fee for issuance of ADSs referred to above that would have been charged as a result of the deposit of those securities (for purposes of this sentence treating all such securities as if they were preferred shares) or preferred shares received in exercise of rights distributed to them pursuant to the deposit agreement, but which securities or rights are instead sold by the depositary and the net proceeds distributed and (2) the amount of those proceeds.

The depositary, pursuant to the deposit agreement, may own and deal in any class of securities of TCP and its affiliates and in ADRs.

Liability of Owners or Beneficial Owners for Taxes or Other Charges

If any tax or other governmental charge becomes payable by the custodian, the depositary or its nominee with respect to any ADR or any deposited securities represented by the ADSs evidenced by that ADR, that tax or other governmental charge will be payable by the owner or beneficial owner of ADR. The depositary may refuse to effect registration of transfer of the ADR or any split-up or combination thereof or any withdrawal of deposited securities underlying such ADR until that payment is made and may withhold any dividends or other distributions or may sell for the account of that owner or beneficial owner any part or all of the deposited securities underlying that ADR and may apply such dividends or distributions or the proceeds of any such sale in payment of any such tax or other governmental charge (and any taxes or expenses

arising out of such sale) and the owner or beneficial owner of such ADR will remain liable for any deficiency.

Limitation on Execution, Delivery, Transfer and Surrender of ADRs

The ADRs are transferable on the books of the depositary, provided that the depositary may close the transfer books after consultation with TCP to the extent practicable at any time or from time to time when deemed expedient by it in connection with the performance of its duties or at the request of TCP.

As a condition precedent to the execution and delivery, registration of transfer, split-up, combination or surrender of any ADR, the delivery of any distribution thereon or the withdrawal of deposited securities, the depositary, TCP, the custodian or the registrar may require payment from the depositor of preferred shares or the

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presenter of the ADR of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax, charge or fee with respect to preferred shares being deposited or withdrawn) and payment of any other applicable fees provided for in the deposit agreement. The depositary may refuse to deliver ADRs, register the transfer of any ADR or make any distribution of, or related to, the preferred shares until it has received such proof of citizenship, residence, exchange control approval, compliance with all applicable laws or regulations or other information as it may reasonably deem necessary or proper. The delivery, transfer, registration of transfer, split-up, combination and surrender of ADRs generally may be suspended or refused during any period when the transfer books of the depositary, TCP or the registrar are closed or if any such action is deemed necessary or advisable by the depositary or TCP, at any time or from time to time.

The depositary will keep books, at its Corporate Trust Office, for the registration and transfer of ADRs, which at all reasonable times will be open for inspection by the owners, provided that inspection will not be for the purpose of communicating with owners in the interest of a business or object other than the business of TCP or a matter related to the deposit agreement or the ADRs.

The depositary may upon notice to TCP appoint one or more co-transfer agents reasonably acceptable to TCP for the purpose of effecting transfers, combinations and split-ups of ADRs at designated transfer offices on behalf of the depositary. In carrying out its functions, a co-transfer agent may require evidence of authority and compliance with applicable laws and other requirements by owners or persons entitled to ADRs and will be entitled to protection and indemnity to the same extent as the depositary.

Limitation of Liability

Neither the depositary nor TCP nor any of their respective directors, employees, agents or affiliates will be liable to any owners or beneficial owners of ADRs if by reason of any provision of any present or future law or regulation of the United States, Brazil or any other country, or of any other governmental or regulatory authority or stock exchange, or by reason of any provision, present or future, of the bylaws, or by reason of any act of God or war or other circumstance beyond its control, the depositary or TCP or any of their respective directors, employees, agents, or affiliates is prevented, delayed or forbidden from, or is subject to any civil or criminal penalty on account of, doing or performing any act or thing which by terms of the deposit agreement it is provided will be done or performed; nor will the depositary or TCP incur any liability to any owner or beneficial owner of any ADR by reason of any nonperformance or delay, caused as aforesaid, in the performance of any act or thing which by the terms of the deposit agreement it is provided will or may be done or performed, or by reason of any exercise of, or failure to exercise, any discretion provided for under the deposit agreement. Where, by the terms of a distribution or an offering pursuant to the deposit agreement, or for any other reason, the depositary is prevented or prohibited from making such distribution or offering available to owners, and the depositary is prevented or prohibited from making such distribution or offering on behalf of such owners and making the net proceeds available to such owners, then the depositary, after consultation with TCP, will not make that distribution or offering, and will allow the rights, if applicable, to lapse.

TCP and the depositary assume no obligation, nor will they be subject to any liability, under the deposit agreement to owners or beneficial owners of ADRs, except that they agree to perform their respective obligations specifically set forth under the deposit agreement without negligence or bad faith.

Governing Law

The deposit agreement is governed by the laws of the State of New York.

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PART SEVEN ADDITIONAL INFORMATION FOR SHAREHOLDERS

Where You Can Find More Information

We have filed with the SEC a registration statement on Form F-4 to register under the Securities Act the common shares and preferred shares of TCP to be received in the merger by holders of common shares and preferred shares, respectively, of TCO, TLE, TSD and Celular CRT residing in the United States, and the ADSs of TCP to be received by holders of TCO, TLE and TSD ADSs. This prospectus, which is part of the registration statement, does not contain all of the information set forth in the registration statement and the exhibits and schedules to the registration statement. For further information with respect to us and our common shares, preferred shares and ADSs, we refer you to the registration statement and the exhibits and schedules filed as a part of the registration statement.

TCP, TCO, TLE and TSD file annual reports on Form 20-F and furnish reports on Form 6-K to the SEC under the rules and regulations that apply to foreign private issuers. As foreign private issuers, TCP, TCO, TLE and TSD and their respective shareholders are exempt from some of the reporting requirements of the Exchange Act, including the proxy solicitation rules, the rules regarding the furnishing of annual reports to stockholders and Section 16 short-swing profit reporting for their officers, directors and holders of more than 10% of their shares. You may read and copy any materials filed with the SEC at its Public Reference Room at 450 Fifth Street, N.W., Washington, D.C., 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website at <http://www.sec.gov> that contains reports and other information regarding issuers that file electronically with the SEC. Celular CRT is not subject to the reporting requirements of the Exchange Act.

TCP, TCO, TLE, TSD and Celular CRT maintain an internet site at www.vivo.com.br. However, information contained on that internet site is not incorporated by reference in this prospectus. You may also read reports and other information about TCP, TCO, TLE and TSD at the offices of the New York Stock Exchange located at 20 Broad Street, New York, New York 10005. Celular CRT does not have securities listed on the New York Stock Exchange.

TCP, TCO, TLE and TSD provide annual reports in English to The Bank of New York, as depositary under the deposit agreements relating to their respective ADR programs. TCP, TCO, TLE and TSD also furnish to the depositary in English all notices of meetings of holders of preferred shares and other reports and communications that are made generally available to holders of preferred shares. Upon written request of TCP, TCO, TLE or TSD, as the case may be, the depositary will mail to all holders of ADSs a notice containing the information (or a summary of the information) contained in any notice of a shareholders' meeting received by the depositary and make available to all holders of ADSs those notices and all other reports and communications received by the depositary in the same manner as TCP, TCO, TLE and TSD make these available to holders of preferred shares. Celular CRT does not have an ADS program.

Incorporation by Reference

The SEC allows us to incorporate by reference information into this prospectus, which means that we can disclose important information to you by referring you to another document that we or TCO have filed previously with the SEC. The information incorporated by reference is considered to be part of this prospectus, and certain later information that we or TCO file with the SEC will automatically update and supersede this information. We incorporate by reference the following documents:

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TCP s Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2004, filed with the SEC on April 15, 2005 (File No. 333-09470), including the financial statements and the audit report thereon included in that Annual Report;

TCP s Report on Form 6-K filed on April 1, 2005 (File No. 1-14493); TCP s Report on Form 6-K filed on May 12, 2005 (File No. 1-14493); TCP s Report on Form 6-K filed on June 30, 2005 (File No. 1-14493); TCP s Report on Form 6-K filed on July 1, 2005 (File No. 1-14493); TCP s Report on Form 6-K filed on August 17, 2005 (File No. 1-14493);

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TCO's Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2004, filed with the SEC on April 15, 2005 (File No. 001-14489), including the financial statements and the audit report thereon included in that Annual Report;

TCO's Report on Form 6-K filed on March 30, 2005 (File No. 1-14489); TCO's Report on Form 6-K filed on April 5, 2005 (File No. 1-14489); TCO's Report on Form 6-K filed on May 11, 2005 (File No. 1-14489); TCO's Report on Form 6-K filed on May 12, 2005 (File No. 1-14489); TCO's Report on Form 6-K filed on June 30, 2005 (File No. 1-14489); TCO's Report on Form 6-K filed on August 2, 2005 (File No. 1-14489); TCO's Report on Form 6-K filed on September 8, 2005 (File No. 1-14489);

the description of preferred shares and the description of ADRs evidencing ADSs set forth under the caption "Item 14. Description of Securities to Be Registered" in TCP's registration statement on Form 20-F (File No. 333-09470) filed with the SEC on September 18, 1998, as amended by TCP's Form 20-F/A filed on November 2, 1998 (and we note that the ratio of ADSs to preferred shares is currently one to one);

the Protocol of Merger of Shares and Merger of Companies and Instrument of Justification among Telesp Celular Participações S.A., Tele Centro Oeste Celular Participações S.A., Tele Sudeste Celular Participações S.A., Tele Leste Celular Participações S.A. and Celular CRT Participações S.A., dated December 4, 2005, incorporated by reference to the Form 6-K of Telesp Celular Participações S.A. filed on December 6, 2005; and

any future filings on Form 20-F by TCP or TCO made with the SEC under the Exchange Act after the date of this prospectus and prior to the completion of the merger and any future filings on Form 6-K by TCP or TCO during such period that are identified in such forms as being incorporated by reference into this prospectus.

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We will provide to each person, including any beneficial owner, to whom a prospectus is delivered, upon written or oral request at no cost, a copy of any and all of the information that has been incorporated by reference in this prospectus and that has not been delivered with this prospectus by contacting us, TCO, TLE, TSD or Celular CRT at the following street address, telephone number or e-mail address:

Telesp Celular Participações S.A.
Av. Roque Petroni Júnior, 1464 Morumbi
4º Andar Lado A
04707-000 São Paulo, SP
Brazil
Telephone: 011-55-11-5105-2276
email: vsm@vivo.com.br

Celular CRT Participações S.A.
Av. Roque Petroni Júnior, 1464 Morumbi
4º Andar Lado A
04707-000 São Paulo, SP
Brazil
Telephone: 011-55-11-5105-2276
email: vsm@vivo.com.br

Tele Centro Oeste Celular Participações S.A.
Av. Roque Petroni Júnior, 1464 Morumbi
4º Andar Lado A
04707-000 São Paulo, SP
Brazil
Telephone: 011-55-11-5105-2276
email: vsm@vivo.com.br

Tele Leste Celular Participações S.A.
Av. Roque Petroni Júnior, 1464 Morumbi
4º Andar Lado A
04707-000 São Paulo, SP
Brazil
Telephone: 011-55-11-5105-2276
email: vsm@vivo.com.br

Tele Sudeste Celular Participações S.A.

Av. Roque Petroni Júnior, 1464 Morumbi

4º Andar Lado A

04707-000 São Paulo, SP

Brazil

Telephone: 011-55-11-5105-2276

email: vsm@vivo.com.br

If you are a holder of ADSs, you may also contact:

The Bank of New York

101 Barclay Street

New York, NY 10286

Telephone: 1-888-BNY-ADRS

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Enforceability of Civil Liabilities Under U.S. Securities Laws

We have been advised by our Brazilian counsel, Machado, Meyer, Sendacz e Opice Advogados, that a judgment of a U.S. court for civil liabilities predicated upon the federal securities laws of the United States, subject to certain requirements described below, may be enforced in Brazil. A judgment against TCP, TCO, TLE, TSD or Celular CRT, their respective directors and certain of their respective officers and advisors or any such person would be enforceable in Brazil without reconsideration of the merits upon confirmation of that judgment by the Brazilian Superior Court of Justice. That confirmation generally will occur if the foreign judgment:

fulfills all formalities required for its enforceability under the laws of the country where the foreign judgment is granted;

is issued by a competent court after proper service of process is made in accordance with Brazilian legislation;

is not subject to appeal;

is authenticated by a Brazilian consular office in the country where the foreign judgment is issued and is accompanied by a sworn translation into Portuguese; and

is not contrary to Brazilian national sovereignty or public policy or good morals.

However, you cannot be certain that this confirmation will be obtained or that it will be obtained in a timely manner. In addition, you cannot be certain that a Brazilian court would enforce a monetary judgment for violations of U.S. securities laws.

We have been further advised by Machado, Meyer, Sendacz e Opice Advogados that original actions predicated on the federal securities laws of the United States may be brought in Brazilian courts and that Brazilian courts may enforce civil liabilities in such actions against each of TCP, TCO, TLE, TSD and Celular CRT, its directors and certain of its officers and advisors.

A plaintiff, whether Brazilian or non-Brazilian, who resides outside Brazil during the course of litigation in Brazil must provide a bond to guarantee court costs and legal fees if the plaintiff owns no real property in Brazil that may ensure such payment. This bond must have a value sufficient to satisfy the payment of court fees and defendant's attorney's fees, as determined by the Brazilian judge, except in the case of the enforcement of foreign judgments that have been duly confirmed by the Brazilian Superior Court of Justice.

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PART EIGHT LEGAL AND REGULATORY MATTERS

General

We are not aware of any of the following:

any governmental license or regulatory permit that appears to be material to the businesses of TCP, TCO, TLE, TSD or Celular CRT that might be adversely affected by the merger;

except as described below, any approval or other action by any government or governmental administrative or regulatory authority or agency, domestic or foreign, that would be required for the completion of the merger; or

any consent, waiver or other approval that would be required as a result of or in connection with the merger, including but not limited to, any consents or other approvals under any licenses, concessions, permits and agreements to which any of TCP, TCO, TLE, TSD or Celular CRT is a party that have not been obtained.

The approval of the merger by the CVM is not a condition to the merger. See Part Three: Risk Factors Risks Relating to the Brazilian Telecommunications Industry and the Business The CVM, the Brazilian securities regulator, may suspend for up to 15 days the shareholders meetings scheduled to approve the merger.

The approval of the NYSE of the listing of the ADSs of TCP to be delivered in connection with the merger, for which we will apply, must be obtained for such shares to be traded by the holders thereof. However, this approval is not a condition to the completion of the merger.

Should any such approval or other action be required, we currently contemplate that such approval will be sought or such action will be taken, as the case may be.

We are unable to predict whether it may be necessary to delay the completion of the merger pending the outcome of any approval or other action. We cannot assure you that any approval or other action, if needed, would be obtained or would be obtained without substantial conditions. In addition, we cannot assure you that if the approvals were not obtained or other actions were not taken, adverse consequences might not result to the businesses of the operating companies.

Legal Matters

We will receive an opinion from Machado, Meyer, Sendacz e Opice Advogados with respect to the validity of the common shares and preferred shares of TCP to be issued in connection with the merger.

Experts

The financial statements of TCP as of December 31, 2004 and 2003, and for each of the three years in the period ended December 31, 2004, included in this prospectus have been audited by Deloitte Touche Tohmatsu Auditores Independentes, an independent registered public accounting firm, as stated in their report, which is included and incorporated by reference herein (which report expresses an unqualified opinion and includes explanatory paragraphs related to the difference between accounting practices adopted in Brazil and accounting principles generally accepted in the United States of America, the presentation of the consolidated statements of cash flows and the change in accounting for sales of prepaid cellular minutes under accounting practices adopted in Brazil in 2003), and has been so included and incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The financial statements of TCO as of December 31, 2004 and 2003, and for the years then ended, included in this prospectus have been audited by Deloitte Touche Tohmatsu Auditores Independentes, an independent registered public accounting firm, as stated in their report, which is included and incorporated by reference herein (which report expresses an unqualified opinion related to the difference between accounting practices adopted in

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Brazil and accounting principles generally accepted in the United States of America, the presentation of the consolidated statements of cash flows and the change in accounting for sales of prepaid cellular minutes under accounting practices adopted in Brazil in 2003) and includes explanatory paragraphs related to the difference between accounting practices adopted in Brazil and accounting principles generally accepted in the United States of America, the presentation of the consolidated statements of cash flows and the change in basis of presentation from the Constant Currency Method to the Brazilian Corporate Law Method in 2003), and has been so included and incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of TCO for the year ended December 31, 2002 included in this prospectus have been audited by Ernst & Young Auditores Independentes S.S., independent accountants, as set forth in their report thereon included therein. Such consolidated financial statements are included in this prospectus in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The financial statements of TLE as of December 31, 2004 and 2003, and for each of the three years in the period ended December 31, 2004, included in this prospectus have been audited by Deloitte Touche Tohmatsu Auditores Independentes, an independent registered public accounting firm, as stated in their report, which is included and incorporated by reference herein (which report expresses an unqualified opinion and includes explanatory paragraphs related to the difference between accounting practices adopted in Brazil and accounting principles generally accepted in the United States of America, the presentation of the consolidated statements of cash flows and the change in basis of presentation from the Constant Currency Method to the Brazilian Corporate Law Method in 2003), and has been so included and incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The financial statements of TSD as of December 31, 2004 and 2003, and for each of the three years in the period ended December 31, 2004, included in this prospectus have been audited by Deloitte Touche Tohmatsu Auditores Independentes, an independent registered public accounting firm, as stated in their report, which is included and incorporated by reference herein (which report expresses an unqualified opinion and includes explanatory paragraphs related to the difference between accounting practices adopted in Brazil and accounting principles generally accepted in the United States of America, the presentation of the consolidated statements of cash flows and the change in basis of presentation from the Constant Currency Method to the Brazilian Corporate Law Method in 2003), and has been so included and incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The financial statements of Celular CRT as of December 31, 2004 and 2003, and for each of the three years in the period ended December 31, 2004, included in this prospectus have been audited by Deloitte Touche Tohmatsu Auditores Independentes, an independent registered public accounting firm, as stated in their report, which is included and incorporated by reference herein (which report expresses an unqualified opinion and includes explanatory paragraphs related to the difference between accounting practices adopted in Brazil and accounting principles generally accepted in the United States of America and the presentation of the consolidated statements of cash flows), and have been so included and incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

Neither the independent auditors of TCP, TCO, TLE, TSD and Celular CRT, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the prospective financial information used to prepare the valuation reports described in Part Five: The Merger Appraisal or Dissenters Rights Valuation Reports of Planconsult and Valuation Reports of Goldman Sachs, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, this prospective financial information. The independent auditors reports included or incorporated by reference in this registration statement relate to the historical financial information of the respective companies, do not extend to the prospective financial information and should not be read to do so.

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You should rely only on the information incorporated by reference or provided in this prospectus. We have not authorized any person to give any information or to make any representations in connection with the merger other than the information contained or incorporated in this prospectus and, if any person gives other information or makes a representation in connection with the merger, that information or representation must not be relied on as having been authorized by us.

This prospectus does not constitute an offer to any person in any jurisdiction in which an offer is unlawful. The offer is not being made to holders of shares in any jurisdiction in which the making or acceptance of the offer would not be in compliance with the laws of that jurisdiction. However, we may, in our sole discretion, take any action we may deem necessary to make the offer in any such jurisdiction and extend the offer to holders of shares in any jurisdiction. In any jurisdiction where the securities, blue sky or other laws require the offer to be made by a licensed broker or dealer, the offer will be deemed to be made on our behalf by one or more registered brokers or dealers licensed under the laws of the relevant jurisdiction.

The delivery of this prospectus will not, under any circumstance, create an implication that our affairs have not changed since the date as of which information is furnished or since the date of this prospectus.

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Definitions:

BR CL Accounting principles in accordance with Brazilian Corporation Law

U.S. GAAP Accounting principles generally accepted in the United States of America

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TELESP CELULAR PARTICIPAÇÕES S.A.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2005 AND 2004

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Definitions:

Brazilian GAAP Generally accepted accounting principles in Brazil

U.S. GAAP Generally accepted accounting principles in the United States of America

Table of Contents**TELESP CELULAR PARTICIPAÇÕES S.A.****UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS****AS OF SEPTEMBER 30, 2005 AND DECEMBER 31, 2004****(In thousands of Brazilian reais)**

		As of	As of
		September 30,	December 31,
	Note	2005	2004
		<u> </u>	<u> </u>
Assets			
Current assets:			
Cash and cash equivalents		1,040,594	1,180,855
Short-term investments pledged as collateral	11	160,051	
Trade accounts receivable, net	12	1,530,070	1,483,819
Receivable from subsidiaries and affiliates	17	30,963	33,162
Advances to suppliers		28,404	44,918
Inventories		354,927	456,510
Recoverable taxes	13	414,437	633,357
Deferred income tax	10c	422,911	237,924
Derivative contracts	14d	273,566	7,803
Prepaid expenses		206,401	157,235
Other current assets		64,763	119,536
		<u> </u>	<u> </u>
Total current assets		4,527,087	4,355,119
		<u> </u>	<u> </u>
Noncurrent assets:			
Recoverable taxes	13	448,960	297,478
Deferred income tax	10c	901,612	1,099,357
Derivative contracts	14d		385,297
Prepaid expenses		24,476	36,119
Other noncurrent assets		63,248	74,504
		<u> </u>	<u> </u>
Total noncurrent assets		1,438,296	1,892,755
		<u> </u>	<u> </u>
Permanent assets:			
Investments		1,649,540	2,054,963
Goodwill on merged subsidiary, net		43,537	49,857
Property, plant and equipment, net		5,725,215	5,603,004
Deferred assets, net		145,654	174,007
Others		1,765	1,464
		<u> </u>	<u> </u>
Total permanent assets		7,565,711	7,883,295
		<u> </u>	<u> </u>
Total assets		<u>13,531,094</u>	<u>14,131,169</u>

The accompanying notes are an integral part of these unaudited
interim condensed consolidated financial statements.

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Table of Contents**TELESP CELULAR PARTICIPAÇÕES S.A.****UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS****AS OF SEPTEMBER 30, 2005 AND DECEMBER 31, 2004****(In thousands of Brazilian reais)**

		As of	As of
		September 30,	December 31,
	Note	2005	2004
		<u> </u>	<u> </u>
Liabilities, shareholders equity and funds for capitalization			
CURRENT LIABILITIES:			
Payroll and related accruals		87,677	84,136
Trade accounts payable		1,079,883	1,704,483
Taxes payable		352,624	343,366
Loans and financing	14a	1,640,020	2,897,003
Dividends and interest on shareholders equity		81,136	82,281
Reserve for contingencies	16	147,156	124,296
Derivative contracts	14d	505,974	266,200
Payables to subsidiaries and affiliates	17	5,174	23,902
Deferred service revenue		101,568	102,159
Other liabilities	15	83,184	8,763
		<u> </u>	<u> </u>
Total current liabilities		4,084,396	5,636,589
		<u> </u>	<u> </u>
NONCURRENT LIABILITIES:			
Loans and financing	14a	3,309,843	2,066,169
Reserve for contingencies	16	212,181	195,434
Taxes payable		177,139	189,341
Derivative contracts	14d	323,418	153,835
Provision for pension plan		358	358
Other liabilities	15	38,863	38,920
		<u> </u>	<u> </u>
Total noncurrent liabilities		4,061,802	2,644,057
		<u> </u>	<u> </u>
ADVANCE FOR FUTURE CAPITAL INCREASE			1,999,941
		<u> </u>	<u> </u>
MINORITY INTEREST		1,068,852	942,923
		<u> </u>	<u> </u>
SHAREHOLDERS EQUITY:			
Capital stock	19a	6,670,152	4,373,661
Capital reserve	19c	793,396	1,089,879
Accumulated deficit		(3,147,783)	(2,556,160)
		<u> </u>	<u> </u>
Total shareholders equity		4,315,765	2,907,380
		<u> </u>	<u> </u>

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Funds for capitalization	279	279
	<hr/>	<hr/>
SHAREHOLDERS EQUITY AND FUNDS FOR CAPITALIZATION	4,316,044	2,907,659
	<hr/>	<hr/>
Total liabilities, shareholders equity and funds for capitalization	13,531,094	14,131,169
	<hr/>	<hr/>

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

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Table of Contents**TELESP CELULAR PARTICIPAÇÕES S.A.****UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS****FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2005 AND 2004****(In thousands of Brazilian reais, except per shares data)**

	Note	Nine-month periods	
		ended September 30	
		2005	2004
Net operating revenue	4	5,491,745	5,387,805
Cost of services and goods sold	5	(2,479,673)	(2,353,338)
Gross profit		3,012,072	3,034,467
Operating expenses:			
Selling expenses	6	(1,790,855)	(1,318,632)
General and administrative expenses	7	(455,131)	(506,130)
Other operating expenses, net	8	(286,973)	(151,928)
Operating income before net financial expenses		479,113	1,057,777
Net financial expenses	9	(683,925)	(751,342)
Operating (loss) income		(204,812)	306,435
Net non-operating income		12,044	1,411
Net (loss) income before income and social contribution taxes and minority interest		(192,768)	307,846
Income and social contribution taxes	10	(265,847)	(293,968)
Minority interest		(133,008)	(269,384)
Net loss		(591,623)	(255,506)
Shares outstanding at September 30 (in thousands)		662,324(1)	1,171,784,352(1)
Loss per shares outstanding at the balance sheet date		(0.89325)(1)	(0.00022)(1)

- (1) On April 1, 2005, the shareholders approved a reverse stock split in the proportion of 2,500 shares to 1 share of the same class. Had the reverse stock split occurred on September 30, 2004, shares outstanding and loss per share for the nine-month period ended September 30, 2004 would have amounted to 468,713,741 and R\$0.55, respectively.

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

Table of Contents**TELESP CELULAR PARTICIPAÇÕES S.A.**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2005**

(In thousands of Brazilian reais)

	Capital reserves				Total
	Capital Stock	Special Goodwill Reserve	Share Premium	Accumulated Deficit	
BALANCE AT DECEMBER 31, 2004	4,373,661	990,169	99,710	(2,556,160)	2,907,380
Capital increase	2,000,000				2,000,000
Capitalization of special goodwill reserve	296,491	(296,491)			
Premium paid on acquisition of fractional shares			8		8
Net loss				(591,623)	(591,623)
BALANCE AT SEPTEMBER 30, 2005	6,670,152	693,678	99,718	(3,147,783)	4,315,765

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

Table of Contents**TELESP CELULAR PARTICIPAÇÕES S.A.****UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION****FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2005 AND 2004****(In thousands of Brazilian reais)**

	Nine-month periods ended September 30,	
	2005	2004
SOURCES OF FUNDS:		
From operations:		
Net loss	(591,623)	(255,506)
Items not affecting working capital:		
Depreciation and amortization	1,141,929	918,872
Minority interest	133,008	269,384
Monetary and exchange variations on noncurrent assets and liabilities	(387,853)	37,863
Net book value of permanent asset disposals	811	1,692
Reserve for contingencies	10,778	6,198
Gain on extinguishment of liabilities	(7,374)	
Long-term deferred income tax	33,849	16,666
Gain on change of participation in subsidiaries	(7,372)	(3,502)
Loss on derivate long-term contracts	431,959	73,547
Others		294
Total from operations	758,112	1,065,508
From shareholders:		
Capital increase	2,000,000	
Premium paid on acquisition of fractional shares	8	
From third parties:		
Increase in long-term loans and financing	1,924,895	809,583
Special reserve adjustment merger tax benefit	27,126	103,890
Transfer from noncurrent to current assets	719,961	156,830
Unclaimed dividends		2,450
Transfer from permanent to current assets	5,276	18,546
Proceeds received from preemptive rights exercised by minority shareholders of TCO	2,905	1,132
Transfer from current to noncurrent liabilities		42,616
Other	156	108
Total sources	5,438,439	2,200,663

Table of Contents**TELESP CELULAR PARTICIPAÇÕES S.A.****UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION (Continued)****FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2005 AND 2004****(In thousands of Brazilian reais)**

	Nine-month periods ended September 30,	
	2005	2004
USES OF FUNDS:		
Additions to property, plant and equipment	944,773	899,778
Transfer from noncurrent to current liabilities	2,725,259	1,027,972
Increase in deferred assets	580	1,726
Increase in escrow deposits on noncurrent assets	4,658	26,565
Advances for future capital increases	4,942	
Increase in noncurrent assets	2,454	
Transfer from current to noncurrent assets		24,453
Increase in deferred taxes	3,479	33,609
Increase in prepaid expenses	27,833	43,349
Other	300	155
Total uses	3,714,278	2,057,607
INCREASE IN WORKING CAPITAL	1,724,161	143,056
Represented by:		
Current assets	171,968	356,960
Beginning of period	4,355,119	4,387,584
End of period	4,527,087	4,744,544
Current liabilities	1,552,193	(213,904)
Beginning of period	5,636,589	6,453,625
End of period	4,084,396	6,667,529
INCREASE IN WORKING CAPITAL	1,724,161	143,056

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

Table of Contents**TELESP CELULAR PARTICIPAÇÕES S.A.****UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS****OF CASH FLOWS FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2005 AND 2004**

(Amounts expressed in thousands of reais, unless otherwise indicated)

	Nine-month periods ended September 30,	
	2005	2004
Operating activities:		
Net cash from operating activities	871,583	872,457
Investing activities:		
Additions to property, plant and equipment	(944,773)	(899,778)
Additions to deferred assets	(580)	(1,726)
Cash received on sale of property, plant & equipment	2,959	2,376
Short-term investments pledged as collateral	(160,051)	
Other investments	(5,243)	
Net cash from investing activities	1,107,688	(899,129)
Financing activities:		
Loans repaid	(2,225,782)	(1,198,900)
New loans obtained	2,708,412	1,613,572
Net settlement on derivatives contracts	(450,100)	(35,370)
Dividends and interest on shareholders' equity	(1,145)	(2,633)
Capital increase	58	
Premium paid on acquisition of fractional shares	8	
Cash received relating to reverse stock split	64,393	
Net cash from financing activities	95,844	376,669
Increase (decrease) in cash and cash equivalents	(140,261)	349,997
Cash and cash equivalents:		
At the beginning of the period	1,180,855	1,158,849
At the end of the period	1,040,594	1,508,846

Supplemental cash flow information

Nine-month periods
ended September 30,

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	<u>2005</u>	<u>2004</u>
Income and social contribution tax paid	202,552	354,757
Interest paid	304,485	230,453
Noncash transaction:		
Contribution of tax benefit by parent company	133,370	510,788
Unclaimed dividends		416
Transfer to advance for suppliers	5,280	6,563
Capitalization of funds for future capital increase	2,000,000	

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

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TELESP CELULAR PARTICIPAÇÕES S.A.

NOTES TO THE UNAUDITED INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in thousands of Brazilian reais, unless otherwise indicated)

1. Operations and presentation of financial statements

a. Incorporation

Telesp Celular Participações S.A. (TCP or the Company) is a publicly held company whose controlling shareholders, on September 30, 2005, are Brasilcel N.V. (57.23% of the total capital stock) and Portelcom Participações S.A. (8.86% of the total capital stock), which is a wholly-owned subsidiary of Brasilcel N.V.

The controlling shareholders of Brasilcel N.V. are Telefónica Móviles S.A. (50% of the total capital stock), PT Móveis, Serviços de Telecomunicações, SGPS, S.A. (49.999% of the total capital stock) and Portugal Telecom, SGPS, S.A. (0.001% of the total capital stock).

b. Business and background

TCP is the controlling shareholder of Telesp Celular S.A. (TC), Global Telecom S.A. (GT) and Tele Centro Oeste Celular Participações S.A. (TCO), which provide cellular telecommunication services in the States of São Paulo, Paraná and Santa Catarina and Federal District, respectively, and exercise activities necessary or useful to perform such services, in accordance with the authorizations granted to them.

The authorizations granted to TC, GT and TCO are in force until August 5, 2008, April 8, 2013 and July 24, 2006, respectively, and may be renewed once for a 15-year term by means of the payment of rates of approximately 1% of the operators' annual revenues.

In addition, TCO is the controlling shareholder of the following operators:

Operator	TCO interest - %	Operation area	Expiration date of authorization
-----------------	-----------------------------	-----------------------	---

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Telegoiás Celular S.A.	100	Goiás and Tocantins	10/29/08
Telemat Celular S.A.	100	Mato Grosso	03/30/09
Telems Celular S.A.	100	Mato Grosso do Sul	09/28/09
Teleron Celular S.A.	100	Rondônia	07/21/09
Teleacre Celular S.A.	100	Acre	07/15/09
Norte Brasil Telecom S.A. (NBT)	100	Amazonas, Roraima, Amapá, Pará and Maranhão	11/29/13

Telecommunications services provided by the subsidiaries, including related services and tariffs, are regulated by the Federal regulatory authority, the National Telecommunications Agency (ANATEL), as authorized by Law No. 9.472, as of July 16, 1997, and the related regulations, decrees, decisions and plans.

On March 28, 2005, the Board of Directors of TCO approved the merger of Teleacre, Telegoiás, Teleron and Telems into the Company, and the merger of Telemat into the subsidiary TCO IP S.A. (TCO IP). The merger proposals were presented to ANATEL for approval on June 7 and 27, 2005, respectively. The purpose of these proposed mergers was to achieve financial and operational benefits through reductions in administrative costs.

Tender Offer TCO

On October 8, 2004 TCP completed a tender offer for preferred shares of TCO and acquired 32.76% of TCO s aggregate preferred shares for R\$901.5 million. After these acquisitions, TCP owned 90.22% of the voting capital stock of TCO (51.42% of the total capital stock).

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TELESP CELULAR PARTICIPAÇÕES S.A.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts expressed in thousands of Brazilian reais, unless otherwise indicated)

2. Presentation of financial statements

The consolidated financial statements include the accounts of TC, TCO and GT and their respective subsidiaries. Intercompany transactions and balances have been eliminated.

In the Company's opinion, all adjustments necessary for a fair presentation of the unaudited results of operations for the nine-month periods ended September 30, 2005 and 2004 are included. All such adjustments are accruals of a normal and recurring nature. The results of operations for period September 30, 2005 are not necessarily indicative of the results of operations to be expected for the full year. The accompanying consolidated financial statements are unaudited and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2004, as appearing in the Company's Annual Report on Form 20-F filed on April 15, 2005.

The presentation of the consolidated financial statements is consistent with the presentation of the published financial statements of the Company in Brazil, from which the financial information was extracted, except for certain reclassifications and changes in terminology within the consolidated balance sheets and the consolidated statements of loss, which have been made to conform the previously published financial statements to the presentation included herein. The financial statements as of September 30, 2004 and December 31, 2004 have been reclassified, where applicable, for comparability.

3. Summary of principal accounting practices

The unaudited interim condensed consolidated financial statements are expressed in thousands of Brazilian reais (R\$), except when mentioned, and have been prepared in accordance with accounting practices adopted in Brazil, which include the accounting practices derived from Brazilian corporate law, regulations applicable to public telecommunications service concessionaires and accounting regulations and procedures established by the Brazilian Securities Commission (CVM), hereinafter referred to as Brazilian GAAP .

The principal accounting practices adopted by the Company and its subsidiaries in the preparation of these interim financial statements are the same as those described in the consolidated financial statements as of and for the year ended December 31, 2004.

Table of Contents**TELESP CELULAR PARTICIPAÇÕES S.A.****NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(Amounts expressed in thousands of Brazilian *reais*, unless otherwise indicated)**4. Net operating revenue**

	Nine-month periods	
	ended September 30,	
	2005	2004
Monthly subscription charges	134,142	192,271
Usage charges	3,120,497	2,739,651
Additional call charges	126,407	84,358
Interconnection	2,221,375	2,331,957
Other services	495,708	425,282
Total gross revenue from services	6,098,129	5,773,519
Value-added tax on services ICMS	(994,659)	(864,053)
Employees profit participation program PIS/ Social contribution on billing COFINS	(218,028)	(209,116)
Service tax ISS	(2,055)	(1,802)
Discounts granted	(187,850)	(129,870)
Net operating revenue from services	4,695,537	4,568,678
Sale of handsets and accessories	1,389,910	1,346,040
Value-added tax on sales ICMS	(115,529)	(129,022)
Employees profit participation program PIS/ Social contribution on billing COFINS	(92,933)	(92,632)
Discounts granted	(62,744)	(76,424)
Returns of goods	(322,496)	(228,835)
Net operating revenue from sales of handsets and accessories	796,208	819,127
Total net operating revenue	5,491,745	5,387,805

There are no customers which contributed more than 10% of gross operating revenue in the nine-month periods ended September 30, 2005 and 2004, except for Telecomunicações de São Paulo S.A. TELESP, a fixed telephone operator in the State of São Paulo, which contributed with approximately 20% and 22% of the gross operating revenue, respectively, mainly through interconnection revenues.

5. Cost of services and goods sold

	Nine-month periods	
	ended September 30,	
	2005	2004
	<u> </u>	<u> </u>
Personnel	(47,121)	(42,843)
Outside services	(144,430)	(130,569)
Leased lines	(106,195)	(89,225)
Rent, insurance, and other related expenses	(70,308)	(69,753)
Interconnection	(121,425)	(155,937)
Taxes and contributions	(249,968)	(139,745)
Depreciation and amortization	(570,860)	(538,217)
Cost of products sold	(1,163,606)	(1,181,630)
Other	(5,760)	(5,419)
	<u> </u>	<u> </u>
Total	(2,479,673)	(2,353,338)
	<u> </u>	<u> </u>

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Table of Contents**TELESP CELULAR PARTICIPAÇÕES S.A.****NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(Amounts expressed in thousands of Brazilian *reais*, unless otherwise indicated)**6. Selling expenses**

	Nine-month periods	
	ended September 30,	
	2005	2004
Personnel	(152,252)	(135,361)
Supplies	(23,099)	(29,786)
Outside services	(842,902)	(638,130)
Advertising	(234,013)	(217,933)
Rent, insurance, and other related expenses	(28,640)	(26,265)
Taxes and contributions	(1,198)	(1,224)
Depreciation and amortization	(145,470)	(108,924)
Allowance for doubtful accounts receivable	(265,483)	(130,062)
Other	(97,798)	(30,947)
Total	(1,790,855)	(1,318,632)

7. General and administrative expenses

	Nine-month periods	
	ended September 30,	
	2005	2004
Personnel	(99,608)	(103,122)
Supplies	(6,303)	(4,886)
Outside services	(194,159)	(248,098)
Rent, insurance, and other related expenses	(35,190)	(32,362)
Taxes and contributions	(4,430)	(10,949)
Depreciation and amortization	(100,117)	(93,445)
Other	(15,324)	(13,268)
Total	(455,131)	(506,130)

Table of Contents**TELESP CELULAR PARTICIPAÇÕES S.A.****NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(Amounts expressed in thousands of Brazilian *reais*, unless otherwise indicated)**8. Other operating expenses, net**

	Nine-month periods ended September 30,	
	2005	2004
Income:		
Late fees and penalties	48,921	55,211
Recovered expenses	27,237	20,561
Shared infrastructure/EILD	19,906	9,180
Commercial incentives	75,236	36,893
Other	7,040	4,295
Total	178,340	126,140
Expenses:		
Reserve for contingencies, net of reversal	(27,209)	(23,685)
Goodwill amortization	(296,145)	(149,324)
Other taxes	(101,664)	(72,611)
Amortization of preoperating expenses	(29,337)	(28,962)
Other	(10,958)	(3,486)
Total	(465,313)	(278,068)
Other operating expenses, net	(286,973)	(151,928)

9. Financial expenses, net

	Nine-month periods ended September 30,	
	2005	2004
Income:		
Financial income	212,908	214,542

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Foreign currency exchange variation	575,683	566,969
PIS/COFINS on financial income	(4,615)	(51,109)
	<u> </u>	<u> </u>
Total	783,976	730,402
	<u> </u>	<u> </u>
Expense:		
Financial expenses	(451,147)	(503,098)
Monetary/exchange variations	(37,763)	(502,193)
Losses on derivatives contracts, net	(978,991)	(476,453)
	<u> </u>	<u> </u>
Total	(1,467,901)	(1,481,744)
	<u> </u>	<u> </u>
Financial expenses, net	(683,925)	(751,342)
	<u> </u>	<u> </u>

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Table of Contents**TELESP CELULAR PARTICIPAÇÕES S.A.****NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(Amounts expressed in thousands of Brazilian *reais*, unless otherwise indicated)**10. Income taxes**

The Company and its subsidiaries estimate monthly the amounts for income and social contribution taxes, on an accrual basis. Deferred taxes are provided on temporary differences. Income and social contribution taxes charged to income consist of the following:

a. Components of income taxes

	Nine-month periods ended September 30,	
	2005	2004
Income tax	205,867	132,134
Social contribution tax	74,185	47,882
Deferred income tax	(10,445)	83,266
Deferred social contribution tax	(3,760)	30,686
Total	265,847	293,968

b. Reconciliation of effective tax rate

The following table provides a reconciliation of the amount calculated by applying the combined statutory tax rates on the reported income before taxes and the reported income tax expense for the nine-month periods ended September 30, 2005 and 2004:

	Nine-month periods ended September 30,	
	2005	2004
Income (loss) before taxes	(192,768)	307,846
Tax benefit (expense) at combined statutory rate	65,541	(104,668)

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Permanent additions:		
Nondeductible allowance for doubtful accounts receivable	(19,522)	
Donations and other nondeductible expenses	(19,350)	(11,675)
Permanent exclusions:		
Unrecognized tax loss carryforwards and temporary differences (i)	(292,055)	(177,625)
Others	(461)	
	<u> </u>	<u> </u>
Tax expense	(265,847)	(293,968)
	<u> </u>	<u> </u>

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- (i) The Company and its subsidiaries GT and TCO IP did not recognize deferred income and social contribution on tax loss carryforwards and temporary differences, due to projected tax losses to be generated in the short term.

Table of Contents**TELESP CELULAR PARTICIPAÇÕES S.A.****NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(Amounts expressed in thousands of Brazilian *reais*, unless otherwise indicated)**c. Composition of deferred income tax assets**

Deferred income tax assets based on temporary differences are comprised of the following:

	As of September 30, 2005	As of December 31, 2004
	<u> </u>	<u> </u>
Tax credits recorded on corporate restructuring	958,190	985,155
Provision/accrual for:		
Inventory obsolescence	11,120	8,388
Contingencies	85,052	74,842
Doubtful accounts receivable	42,828	42,688
Derivative transactions	1,218	4,602
Suppliers	44,824	60,401
Other	26,715	2,668
Tax loss carryforwards	154,576	158,537
	<u> </u>	<u> </u>
Total deferred taxes	1,324,523	1,337,281
	<u> </u>	<u> </u>
Current	422,911	237,924
Noncurrent	901,612	1,099,357

Deferred taxes have been recorded if it is more likely than not that they will be realized, as follows:

a) Tax loss carryforwards will be offset up to a limit of 30% per year of future taxable income.

b) Tax credits recorded on corporate restructuring consist of the tax benefits recorded as a result of the corporate restructurings described in Note 20. The realization of these tax credits occurs in the same proportion as the amortization of goodwill, over periods of between five and ten years. Studies by external consultants used in the corporate restructuring processes supported recovery of the amount.

c) Temporary differences will be realized upon payment of the accruals, effective losses on bad debts and realization of inventories.

At the end of the 2004 fiscal year, the Company prepared technical feasibility studies, approved by the Board of Directors, which indicate full recovery of the deferred taxes recognized, as determined by CVM Resolution No. 371. Management did not identify any changes that could affect the conclusion of these studies at September 30, 2005.

11. Short-term investments pledged as collateral

	As of September 30,	As of December 31,
	2005	2004
	<hr/>	<hr/>
Short-term investments pledged as collateral (1)	160,051	

(1) Represents short-term investments pledged as collateral in connection with lawsuits.

Table of Contents**TELESP CELULAR PARTICIPAÇÕES S.A.****NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(Amounts expressed in thousands of Brazilian *reais*, unless otherwise indicated)**12. Trade accounts receivable, net**

The composition of accounts receivables is as follows:

	As of September 30, 2005	As of December 31, 2004
Billed amounts	813,859	707,609
Interconnection	453,010	389,021
Products sold	209,274	374,184
Unbilled amounts from services rendered	224,214	182,690
Allowance for doubtful accounts receivable	(170,287)	(169,685)
Total	1,530,070	1,483,819

There are no customers which contribute more than 10% of accounts receivable, net at September 30, 2005 and December 31, 2004, except for amounts receivable from Telecomunicações de São Paulo S.A. TELESP, which represent approximately 11%, mainly through interconnection charges.

Changes in the allowance for doubtful accounts receivable were as follows:

	Nine-month periods ended September 30,	
	2005	2004
Balance beginning of year	169,685	135,841
Allowance for doubtful accounts receivable charged to selling expenses	265,483	130,062
Write-offs	(264,881)	(107,239)
Ending balance	170,287	158,664

13. Recoverable taxes

	As of September 30, 2005	As of December 31, 2004
	<u> </u>	<u> </u>
Prepaid/Recoverable income and social contribution taxes	371,649	303,217
Withholding income tax	80,662	220,945
Recoverable ICMS (State VAT)	219,781	245,447
Recoverable PIS and COFINS (taxes on revenue) and other	145,839	140,171
Other recovera		